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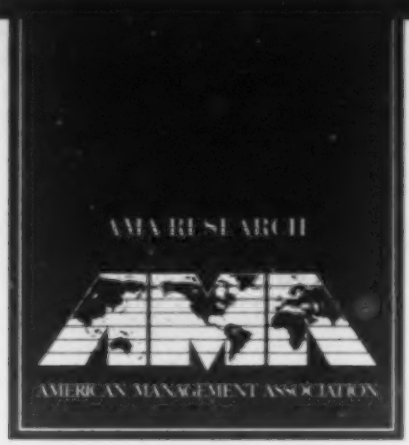

1993 AMA Survey on Downsizing and Assistance to Displaced Workers

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AMA Research Reports

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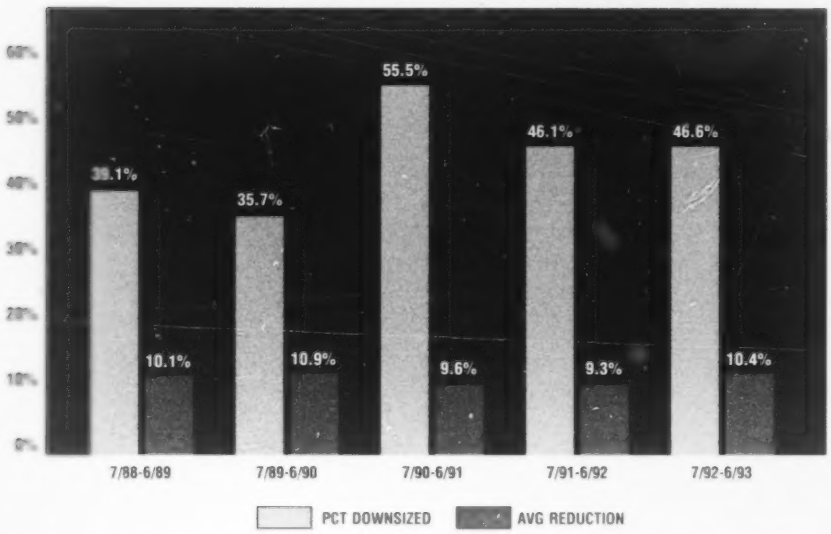
AMA RESEARCH

AMERICAN MANAGEMENT ASSOCIATION

Downsizing and Assistance to Displaced Workers

The results of AMA's seventh annual survey on workforce reductions bear a remarkable similarity to the previous year's findings. The share of respondent firms that downsized in the period July 1992-June 1993 (46.6%) was almost identical to last year's 46.1%, although the cuts were somewhat deeper, averaging 10.4% of the workforce, compared with 9.3% previously. Recessionary pressures played a virtually identical role: an actual or anticipated business downturn was a rationale for 66% of this year's reported reductions, compared with 64% last year.

Downsizing: The Five-Year Trend



But if particular findings changed little, overall trends were confirmed. Increasingly, exempt non-hourly positions are the targets in workforce reductions, and this year, for the first time, a majority of jobs eliminated belonged to supervisors, middle managers, professionals, and technicians. Concurrently, we saw the share of companies offering outplacement assistance to discharged workers at a seven-year high.

The repetitive nature of workforce reductions was also confirmed: 48% of surveyed firms have downsized in two or more calendar years since 1988, and 26% have done so in three or more different years. And again we found a mixed bag of results: fewer than half of the organizations that have downsized since 1988 report increased operating profits, and only a third say that worker productivity has increased.

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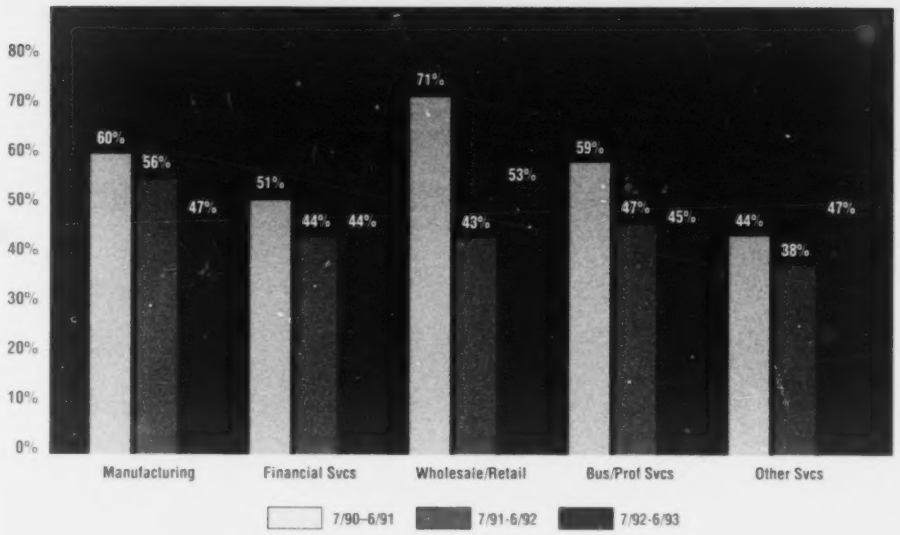
Summary of Key Findings

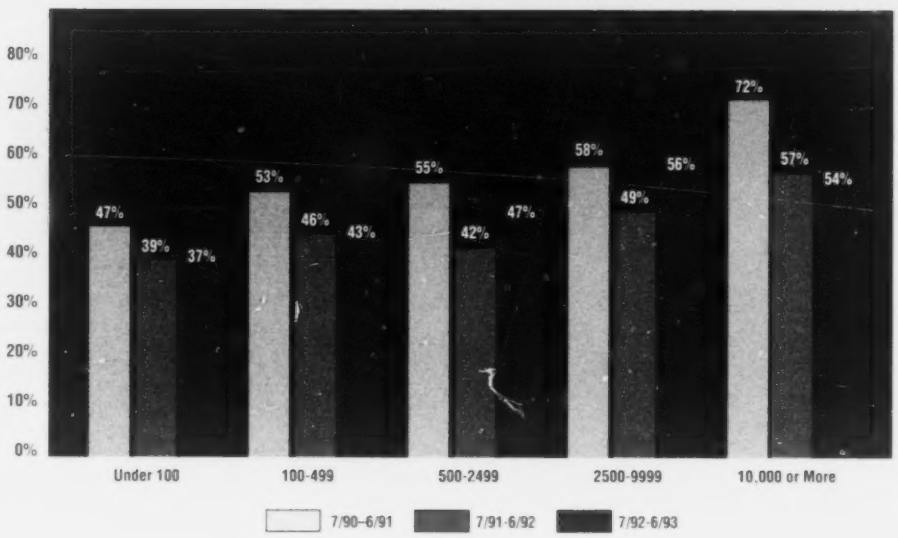
Manufacturers reported fewer cuts, but this was offset by greater reductions among wholesale and retail traders and providers of general services. Forty-seven percent of private-sector companies downsized, compared with 44% of nonprofit organizations.

Geographically, the Pacific Coast reported the most reductions (56%); the Midwest, the least (39%).

Downsizing—by Business Category



Downsizing—by Organizational Size



As in previous surveys, large companies were more likely to make reductions, but smaller ones cut more deeply when they downsized.

Among companies making cuts, 60% concurrently added positions in other units and localities. As a result, 13% of the firms reporting reductions realized a net **gain** in total employees over the period, and 17% had no net change. Among all firms that downsized, the average net change in the size of the workforce was -8.4%.

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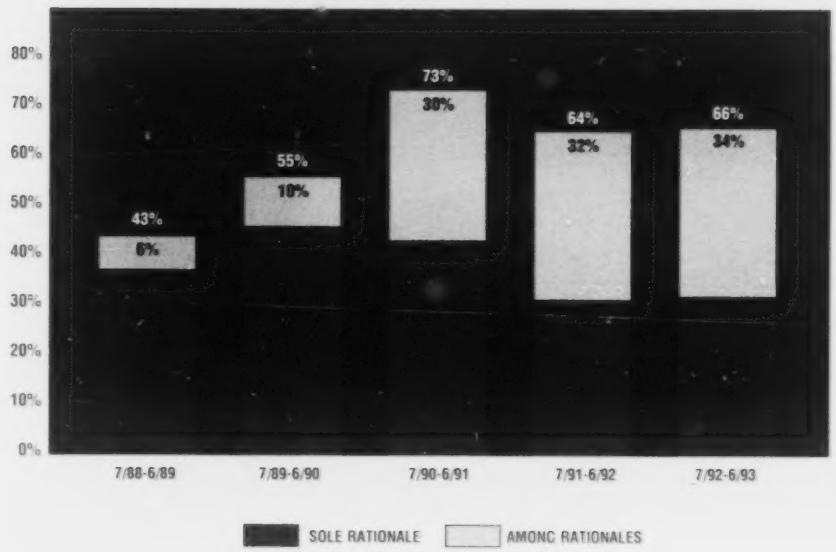
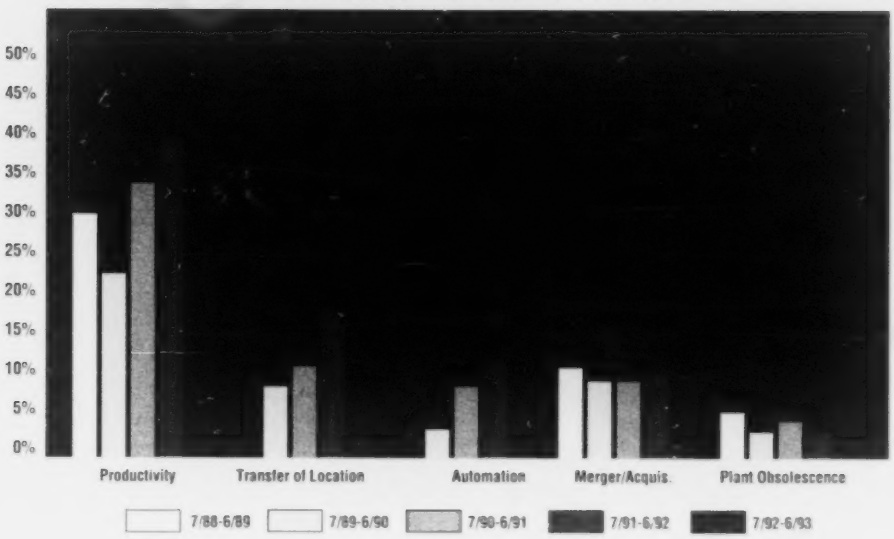
Why Cuts Were Made: An actual or anticipated business downturn was the sole reason behind 32% of reported reductions and a contributing rationale in another 34%. Among those in this category, 41% cited a business downturn national in scope; 9% cited regional or local conditions; 35%, a downturn specific to the respondent's industry; and 11%, a problem specific to the respondent firm.

Recession as Rationale for Downsizing.



Other Rationales for Downsizing.



Previous upward trends modified in the share of reductions ascribed to increased productivity, automation, and transfers of work or production to other locations.

Automation or other new technological processes are no longer the exclusive concern of assembly-line workers. Information technology increasingly threatens white collar jobs. Seventeen percent of the financial services firms that downsized cited automation as a contributing factor, compared to just 11% of manufacturers.

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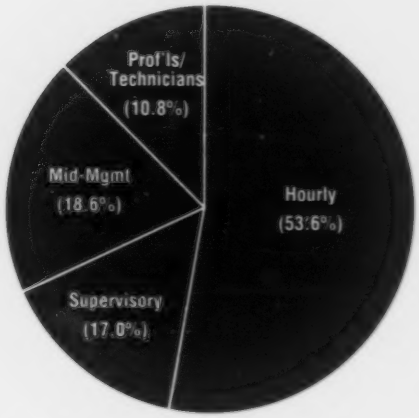
Where Cuts Were Made: For the first time in the AMA's survey's seven-year history, a majority of the jobs eliminated belonged not to hourly workers but to exempt non-hourly employees: supervisors, middle managers, professionals, and technicians. On average, 45% of the jobs cut between July 1992 and June 1993 were hourly positions; 15%, supervisory; 19%, mid-management; and 20%, professional or technical.

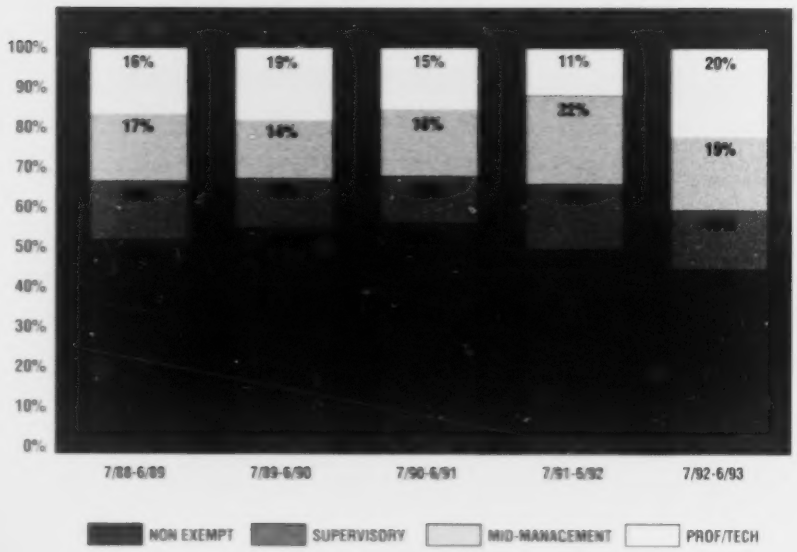
Jobs Eliminated —By Level
1988-1993



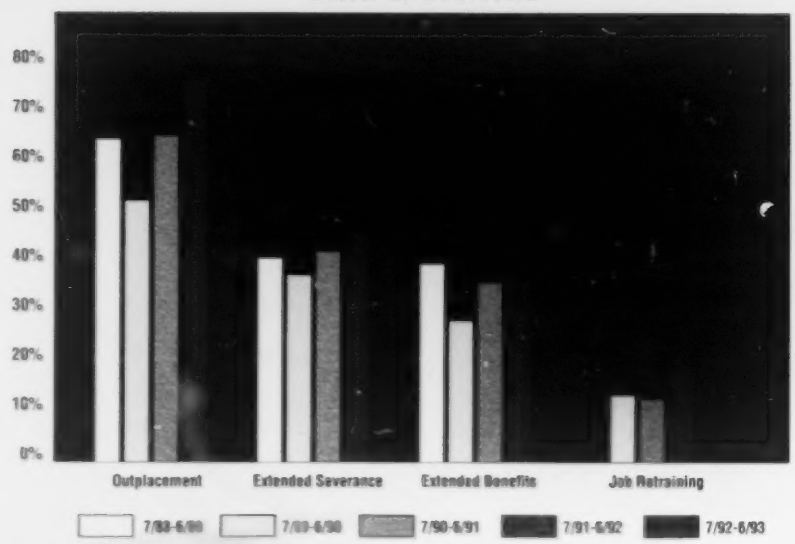
Middle managers continue to be special targets. Although middle managers make up between 5% and 8% of the American workforce, they held 19% of the 335,000 identified jobs eliminated by AMA respondent firms over the past five years.

Forms of Assistance: 78% of the firms that downsized offered at least some form of outplacement assistance to at least some discharged workers; 52% gave such assistance to **all** discharged workers, up from 45% a year ago. But help varies from full professional assistance by outplacement specialists to quick courses in resume writing.

Avg Pct of Jobs Eliminated—By Level



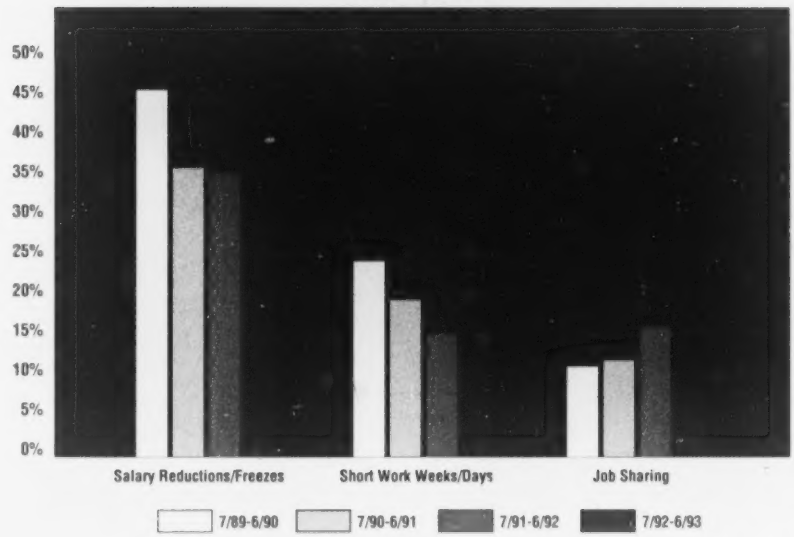
Forms of Assistance



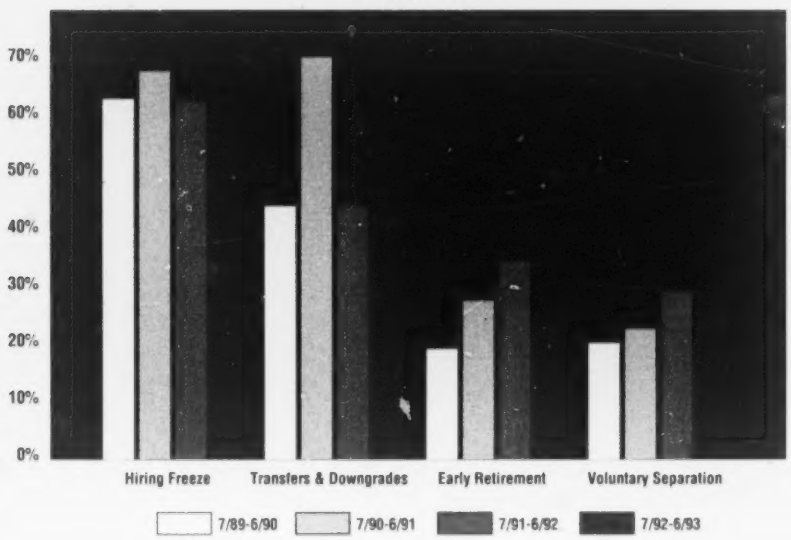
The fall-off in job retraining reflects fewer cuts among manufacturers and more among wholesale and retail traders.

Fewer companies are embracing policies that "share the pain" and reduce the necessity for layoffs, such as salary reductions and shortened work time. Just the opposite: 48% of firms reporting cuts say they have extended working hours and/or overtime as an alternative to new hiring.

"Sharing the Pain"



Other Actions



Among other actions to alleviate reductions, only voluntary separation plans show continuous growth. The survey found a reversal of a three-year upward trend in the share of firms that offered early retirement packages.

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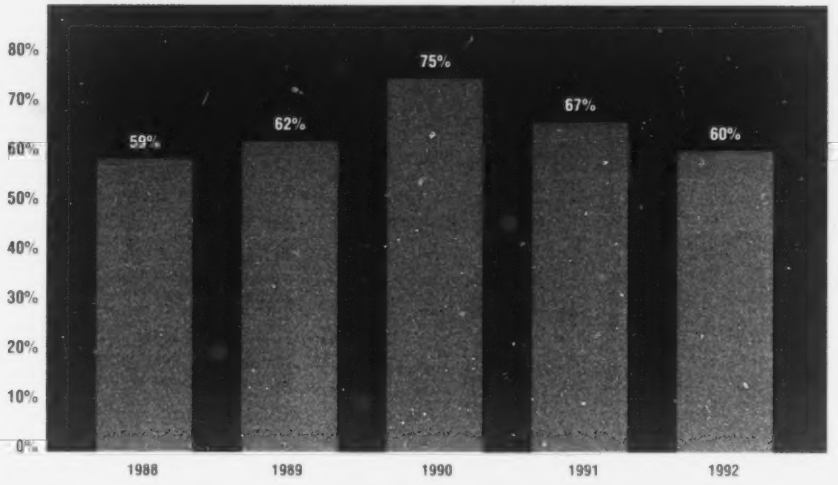
Ongoing Nature of Reductions



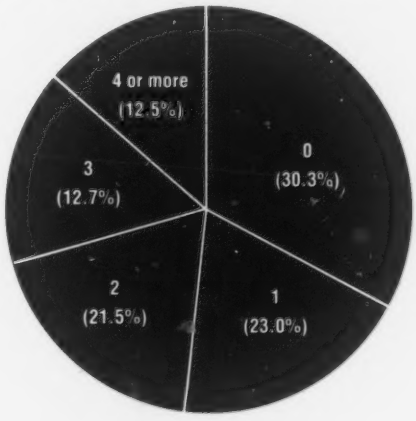
OF COMPANIES DOWNSIZING IN GIVEN YEAR, PCT DOWNSIZED IN FOLLOWING YEAR

Downsizing as an Ongoing Measure: Companies that undergo workforce reductions tend to repeat the exercise, and quickly. On average, 65% of the firms that cut workers in a given calendar year do so again the following year.

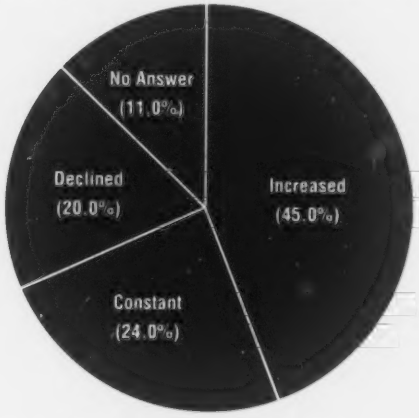
Nearly half (48%) of the current sample have made cuts in two or more of the past six calendar years. Some companies stretch out an announced reduction in force over two or more years; others find new targets.

Fewer than half of all surveyed firms (45%) have a larger workforce today than in January 1988; 37% employ fewer people, and 14% report no net change. The sample's largest firms — those that employ 10,000 or more workers — together employ 3.5% fewer people than in January 1988.

Downsizing: How Many Rounds?

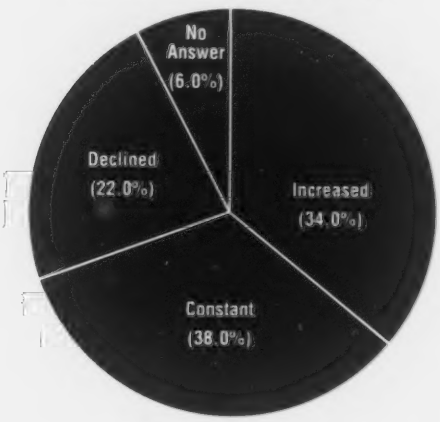


After-Effects on Operating Profits



After-Effects of Downsizing: The goals of increased profits and greater productivity continue to prove elusive. Fewer than half of the firms that have downsized since January 1983 report that profits have increased; one in five said profits declined. But profit levels are affected by many variables unconnected to workforce reductions.

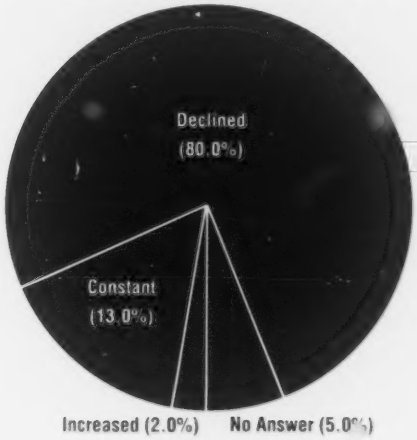
After-Effects on Productivity



Just one-third of respondent firms that have downsized over the same period report an increase in worker productivity.

Profits and productivity are tied together: Among firms reporting an increase in productivity, 60% said profits rose, and only 12% said they fell. Among firms reporting a decline in productivity, only 35% said profits went up, while 34% said they fell.

After-Effects on Employee Morale



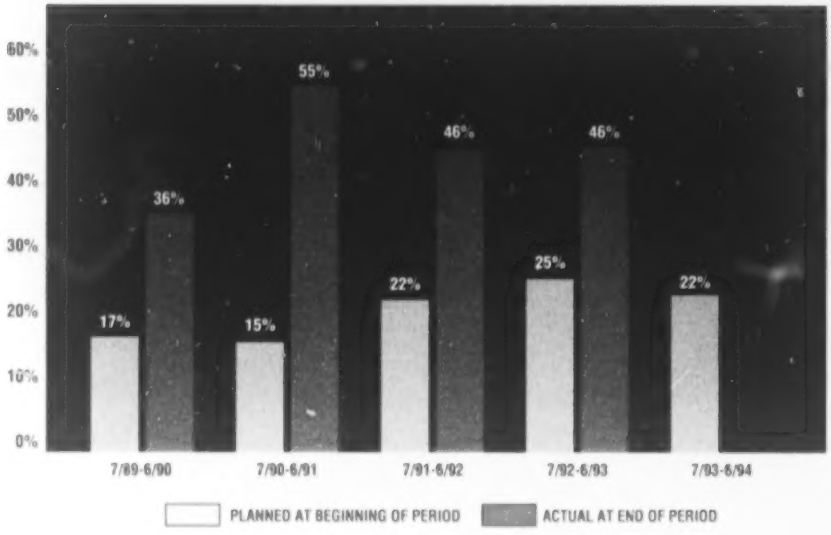
The surest after-effect is declining workforce morale, which affects productivity and, in turn, profits.

The more frequently companies have downsized, the greater the impact, both positive **and** negative. Profits rose at 42% and fell at 14% of companies that downsized only **once** since January 1983; they rose at 47% but fell at 22% of companies that have downsized three times or more.

Planned Reductions: As of July 1993, 22% of respondent firms reported plans to cut jobs by June 1994. But this does not indicate fewer cutbacks in the future: a year ago, 25% of respondent firms reported such plans, but 46% actually made cuts during the twelve-month period.

Typically, the actual share of companies that downsize over a survey period is double — and in some years triple — the share that report plans at the outset of the period. Larger firms tend to set plans well in advance; smaller ones move more quickly.

DOWNSIZING: PLANNED VS. ACTUAL



In some regards the survey found a return to pre-recessionary patterns, especially in the focus on exempt workers and a falloff (to 37% from 42%) in the share of reductions described as "organization-wide," as opposed to those targeted at specific functions or worksites.

Downsizing is not the child of recession; a third of respondent companies reported reductions in our inaugural 1986-87 survey. Reductions were more widespread at the height of the 1990-91 recession, but they continued into the recovery, and a third of the cuts reported in this year's survey had nothing to do with current market conditions. In major American companies, downsizing has become an ongoing corporate activity that shows no sign of abating.

About this Survey

The 1993 AMA questionnaire on downsizing and assistance to displaced workers was mailed on July 1, 1993, to human resources managers who are AMA members or work in AMA-member companies. By August 16 we had received 870 usable responses.

An AMA membership poll is not reflective of the American economy as a whole. Only 2% of the nation's incorporated businesses gross as much as $10 million annually; of this survey sample 90% have annual sales of $10 million or more. Also, while 20% of American businesses are engaged in manufacturing, 51% of this survey's sample are manufacturers. The current sample is not identical to those of previous years, but is sufficiently similar to allow year-to-year comparisons.

The sample presents the following statistical profile:

Business Category

- Manufacturing 50.9%
- Wholesale and Retail Trade 4.6%
- Financial Services 6.0%
- Business & Professional Services 9.5%
- Other Services - for profit 13.7%
- Other Services - nonprofit 14.7%
- Total Services 48.5%
- Unclassified and Unclassifiable Establishments 6%

Annual Sales (or operating budget, if nonprofit)

- Under $10 million 9.3%
- $10-$49 million 24.8%
- $50-$249 million 30.6%
- $250-$499 million 9.9%
- $500 million or more 18.7%
- Not Reported 6.3%

Total Number of Employees

- Fewer than 100 ..... 8.5%
- 100 to 499 ..... 34.0%
- 500 to 2,499 ..... 33.2%
- 2,500 to 9,999 ..... 15.4%
- 10,000 or more 8.7%
- Not Reported 1.0%

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News

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1993 AMA SURVEY ON DOWNSIZING

Summary of Key Findings

Workforce reductions rose ever so slightly in the twelve months ending June 1993, with 47% of surveyed companies reporting cuts, compared with 46% in the preceding twelve months. Sixty-six percent cited a business downturn as a primary rationale for the action, slightly above the previous period's 64% but down from 73% at the height of the 1990-91 recession. The reductions cut somewhat deeper than the year before (an average 10.4% of the workforce, compared with 9.3% previously).

The five-year trend:

	Survey Period				
	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Workforce reductions (pct)	46.6	46.1	55.5	35.7	39.1
Avg reduction of workforce (pct)	10.4	9.3	9.6	10.9	10.1

Downsizing tends to be repetitive as companies seek an irreducible core of permanent employees. On average, 65% of the firms that downsize in a given year do so again the following year. Sixty-nine percent of the current sample have downsized at least once since January 1988; 48%, at least twice; 26%, three times or more.

Business Category: For the second time in the past three years, wholesale and retail traders led in reported reductions. Downward trends continued among manufacturers and providers of business and professional services. The findings by business category:

	7.92-6.93		7.91-6.92		7.90-6.91	
Category	Pct that Downsized	Avg Pct of Workforce	Pct that Downsized	Avg Pct of Workforce	Pct that Downsized	Avg Pct of Workforce
Manufacturing	47.2	11.3	55.7	10.6	60.4	10.4
Financial Svcs	44.2	8.4	44.0	9.2	51.3	9.4
Wholesale/Retail	52.5	10.8	43.2	9.2	71.2	11.1
Bus/Prof Svcs	44.6	12.1	47.2	13.1	59.2	11.5
Other Svcs	47.1	10.2	37.7	6.3	43.8	6.3

Geographic: While the share of companies reporting reductions was very close to the previous survey's findings, cuts were deeper everywhere but in the Mid-Atlantic states. Breakouts for the past three survey periods:

	7.92-6.93		7.91-6.92		7.90-6.91	
Region	Pct that Downsized	Avg Pct of Workforce	Pct that Downsized	Avg Pct of Workforce	Pct that Downsized	Avg Pct of Workforce
New England	50.7	10.3	47.4	7.2	64.5	9.1
Mid Atlantic	52.9	9.2	48.0	9.5	62.1	9.7
Midwest	39.1	9.9	42.3	8.3	56.2	9.4
South	41.2	9.1	37.3	8.0	54.2	8.2
West	50.0	13.3	56.6	11.3	36.1	7.4
Pacific	56.3	12.7	58.9	12.5	57.8	12.6

Organizational Size: Larger companies were more likely to trim jobs than smaller ones, but small firms cut more deeply when they downsized. The findings by number of employees:

	7.92-6.93		7.91-6.92		7.90-6.91	
Employees	Pct that Downsized	Avg Pct of Workforce	Pct that Downsized	Avg Pct of Workforce	Pct that Downsized	Avg Pct of Workforce
Under 100	36.5	19.4	39.3	21.7	47.2	18.0
100 to 499	42.6	11.9	46.0	12.1	53.4	10.9
500 to 2,499	46.7	9.1	42.0	9.3	54.9	9.5
2,500 to 9,999	56.0	8.0	49.0	7.2	58.0	6.1
10,000 or more	54.0	8.2	57.0	8.8	71.8	3.4

Employee Level: For the first time, more than half the jobs eliminated belonged to exempt (non-hourly) workers: supervisors, managers, professionals, and technicians. Middle managers continue to be special targets: while making up 5% to 8% of the workforce, middle managers held 19% of 335,000 positions eliminated by AMA respondent firms since July 1988. The profile of the cuts by level:

Avg Pct of Jobs Cut That Were:	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Hourly	45.2%	50.5%	56.6%	55.5%	51.6%
Supervisory	15.0%	16.7%	12.4%	12.0%	14.8%
Middle Management	19.3%	21.8%	16.3%	13.5%	17.2%
Professional/Technical	20.3%	11.0%	14.8%	19.1%	16.4%

Union Jobs: In unionized shops, an average 23% of jobs cut belonged to union members. Among all respondents, the average was 10%. Unionized workers represent some 15% of the U.S. workforce.

Net Changes: Sixty percent of the firms that downsized (i.e., eliminated jobs) in the period concurrently hired new workers in other units or locations. As a result, 13% of companies reporting cuts realized a net gain in employees over the twelve months, and 17% reported no net change. But the rest had a net decrease of 13.9%, and among all companies reporting cuts the average net change was -8.4%.

Companies that have downsized since January 1988 -- 70% of the whole sample -- are cautious in new hiring: half say that they have extended working hours and/or overtime for present employees as an alternative to new hiring.

Rationales and Descriptors: An actual or anticipated business downturn was the sole cause cited for 32% of the reported reductions, and a contributing factor in 34%; the total of 66% is a slight increase from the previous survey. The five-year trend (pcts are of firms that downsized):

Recession Cited As:	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Sole cause	31.6%	31.4%	43.2%	45.3%	36.6%
Contributing cause	34.1%	32.2%	29.9%	9.7%	6.2%
Total	65.7%	63.6%	73.1%	55.0%	42.8%

Previous upward trends modified in the share of reductions ascribed to increased productivity, automation, and transfers of production to other locations. The five-year trend (pcts are of firms that downsized; totals exceed 100% due to multiple answers; NA indicates the question was not asked in the survey period):

Rationales:	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Business downturn (actual or anticipated)	65.7%	63.6%	73.1%	55.0%	42.7%
Improved staff utilization (productivity)	37.5%	40.0%	33.9%	23.2%	30.2%
Merger or acquisition	9.7%	10.1%	8.5%	9.2%	10.6%
Plant or office obsolescence	2.5%	3.1%	3.6%	2.5%	5.2%
Automation or other new technology	11.4%	12.2%	8.1%	3.4%	NA
Transfer of production or work	14.3%	17.9%	10.5%	7.6%	NA

The period saw a reversal of a four-year trend towards across-the-board cuts, affecting most corporate units, and an increase in specifically targeted reductions. The five-year trend (pcts are of firms that downsized; totals exceed 100% due to multiple answers):

Descriptors:	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Organization-wide	37.0%	41.8%	36.0%	34.0%	30.2%
Targeted at specific functions or locales	56.5%	53.3%	57.6%	56.3%	65.6%
Involving plant or office closings	6.9%	11.7%	9.5%	8.3%	7.1%

Future Cuts: Twenty-two percent of respondents firms plan reductions before the end of June 1994. Typically, the share of respondents reporting cuts at the end of the period is double (and sometimes triple) the share reporting plans in hand at the beginning of the period. Larger firms are far more likely than smaller ones to plan cuts up to a year in advance. The five-year trend:

	Report Planned Reductions as of:				
	6.93	6.92	6.91	6.90	6.89
Pct reporting planned reductions	21.6	25.1	22.0	15.3	16.6
Pct downsized, following year	?	46.6	46.1	55.5	35.7

Actions to Reduce Layoffs: Among the actions companies take to alleviate workforce reductions, only voluntary separation plans show a continuous upward trend. Policies that seek to "share the pain" -- shortened work weeks, job sharing, and salary freezes or reductions -- are on the decline. The five-year trend (pcts are of firms that downsized):

Action	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Hiring Freeze	63.7%	61.6%	68.1%	62.8%	NA
Demotions/downgrades/transfers	45.2%	44.2%	69.5%	44.1%	38.5%
Salary reductions or freezes	29.1%	35.1%	36.2%	46.2%	NA
Early retirement incentives	27.9%	34.3%	26.5%	19.3%	29.9%
Voluntary separation plans	28.9%	28.6%	23.4%	19.5%	16.7%
Voluntary job sharing	8.2%	15.8%	11.7%	11.0%	20.8%
Mandatory short work week/day	11.4%	15.3%	19.4%	24.1%	NA
Limited duration furloughs	10.4%	13.8%	13.3%	NA	NA

Forms of Assistance: The reported rise in outplacement assistance requires a cautionary note. The figure includes firms that gave any level of assistance to any displaced worker. Only 45% of companies that downsized offered outplacement aid to all those fired (although that compares favorably with the 30% reported three years ago).

Moreover, actual assistance can vary from full services by a professional outplacement firm to mimeographed handouts featuring tips on writing resumes. Managers are far more likely to receive professional outplacement help than nonexempts. The five- year trend (pcts are of firms that downsized):

Action	7.92-6.93	7.91-6.92	7.90-6.91	7.89-6.90	7.88-6.89
Outplacement assistance	78.3%	77.1%	65.3%	52.2%	63.9%
Extended severance pay	44.4%	45.1%	41.0%	37.2%	40.1%
Extended health benefits	41.5%	36.9%	36.0%	27.1%	38.7%
Job retraining	10.6%	17.7%	12.1%	12.9%	NA

After-Effects of Downsizing: Fewer than half the firms that have downsized since January 1988 report that profits increased after the cuts were made, and only a third reported increases in worker productivity. Almost invariably, worker morale suffered. The more frequent the cuts, the greater the effects -- both positive and negative -- on profits, productivity, and employee turnover:

	Number of calendar years in which company reported downsizing (1988-1993)			
Operating Profits	1	2	3 or more	Total
Declined	14%	25%	22%	20%
Remained constant	26%	23%	24%	24%
Increased	42%	44%	47%	45%
Worker Productivity	**1**	**2**	**3 or more**	**Total**
Declined	19%	21%	26%	22%
Remained constant	38%	44%	34%	38%
Increased	32%	30%	38%	34%
Employee Morale	**1**	**2**	**3 or more**	**Total**
Declined	71%	80%	87%	80%
Remained constant	16%	14%	9%	13%
Increased	3%	3%	2%	2%
Employee Turnover	**1**	**2**	**3 or more**	**Total**
Declined	19%	21%	33%	25%
Remained constant	56%	55%	45%	52%
Increased	15%	20%	21%	19%

Growth and Contraction: Fewer than half of all surveyed firms (45.3%) have increased their workforce since January 1988; 37% employ fewer people today than they did five years ago, and an additional 14% report no workforce growth. The sample's largest firms -- those with a workforce of 10,000 or more -- together employ 3.5% fewer workers today than in January 1988.

The AMA Sample: 870 human resources managers in AMA-member companies received the questionnaire in July 1993 and returned it by August 16. The respondent base is an accurate sampling of AMA's total corporate membership of 7,000 organizations, which in toto employ one-fourth of the American workforce. 90% of surveyed firms gross more than $10 million annually, which puts them in the top two percent of U.S. corporations. 51% are manufacturing firms, whereas only 20% of U.S. corporations are manufacturers.

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1993 AMA Report on International Management

East-West Management in the New Europe

A Research Report published
exclusively for corporate members of the
American Management Association

AMA Research Reports

Eric Rolfe Greenberg, *Director of Management Studies*
Carol Cauzoneri, *Research Administrator*

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East-West Management in the New Europe

As a new era dawns in Central and Eastern Europe, companies from the West sense an opportunity unique in modern history. But that opportunity is fraught with challenges that are equally unprecedented. The people east of the old Iron Curtain are culturally advanced, and their economies, though state-controlled for three generations, are based (like those of the West) upon industrial production and technological services, however they compare to Western standards.

But in the new Europe, the gulf between Eastern and Western management practices is vast. Entire management disciplines — finance, marketing, even general management itself — are not well developed, and their practice bears little resemblance to familiar Western procedures.

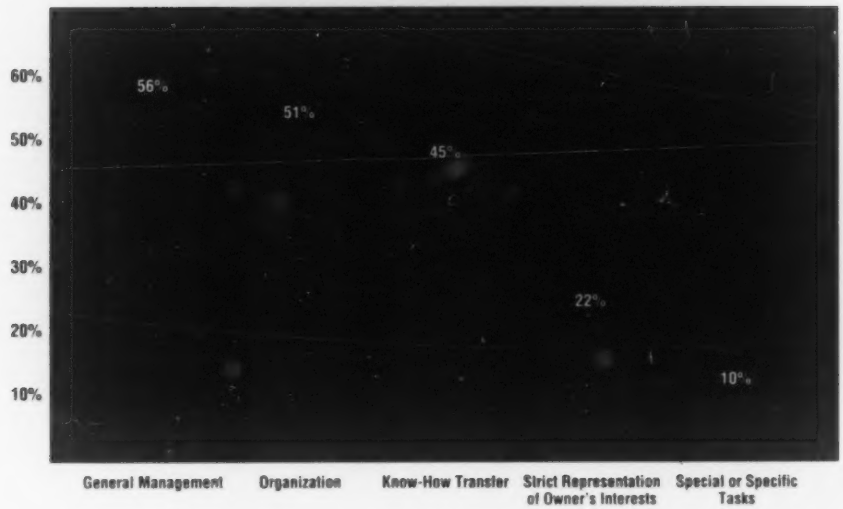
Even more vital are the interpersonal factors when Western managers arrive in Central and Eastern Europe to organize and supervise a local management team. Huge differences in work experience must be recognized and reconciled.

This report is based upon interviews with Western managers assigned to enterprises in Hungary, Czechoslovakia, and Poland, and with Eastern managers at work in those same enterprises.

The interviews were carried out under the direction of Dr. Tomas Toth of H. Newmann International Central and Eastern Europe, an executive search and human resources management consulting firm headquartered in Vienna. According to Dr. Toth, the aim of the study was "to prepare an information document based on the experience, opinions, and viewpoints of both Western and East European managers, and on results attained so far which could, with particular reference to how things stand in the middle of 1993, effectively contribute to the acceleration of the cooperative process between them, and thereby to the overall transformation of East European economies into market economies."

AMA is pleased to present highlights from this in-depth study, which identifies many compelling difficulties in this historic effort to integrate two radically different economies, but which strikes an overall note of optimism about the eventual outcome.

Western Managers: The Mission Abroad



The Western Mission: Managers trained in the West were sent to Central and Eastern Europe with a general, rather than specialized, mission. According to Western managers, their portfolios emphasized the introduction of general management practices and basic business organization above special or specific tasks.

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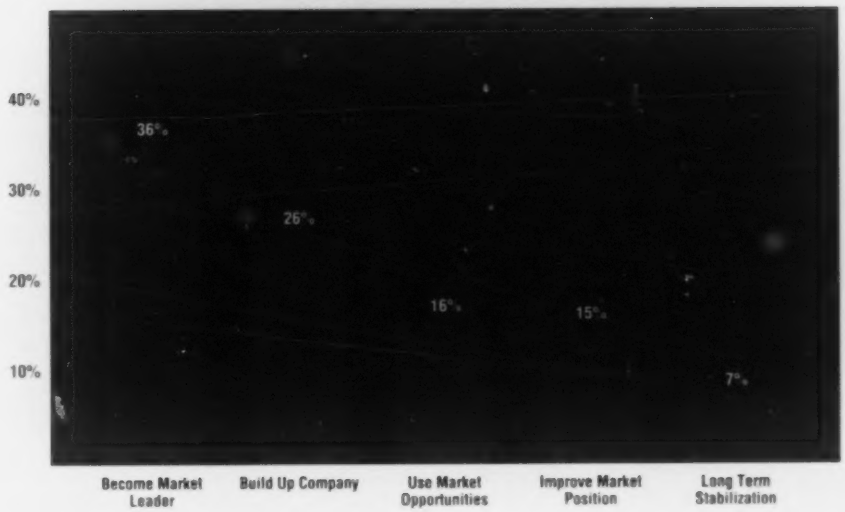
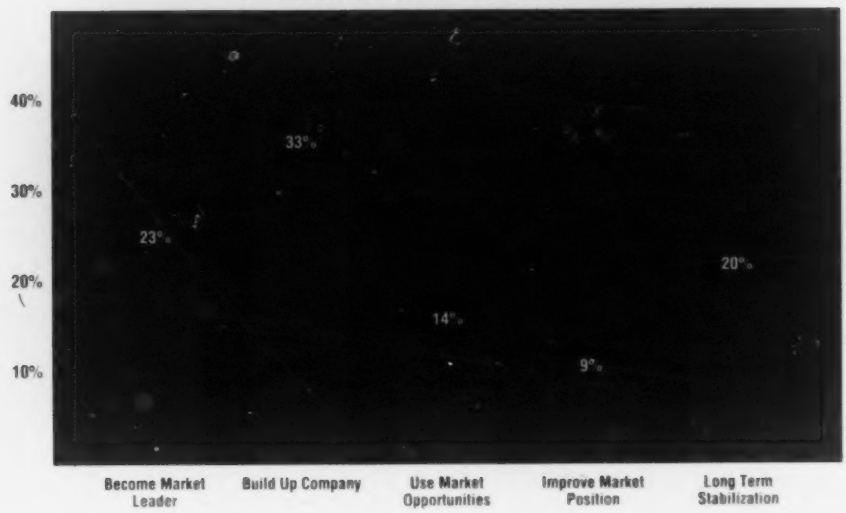
The Strategic Goals: Companies sending their managers East were eager to establish themselves as market leaders. Statistical findings indicate a belief among Western managers that progress towards this goal would be relatively swift.

Western Managers: Strategic Goals



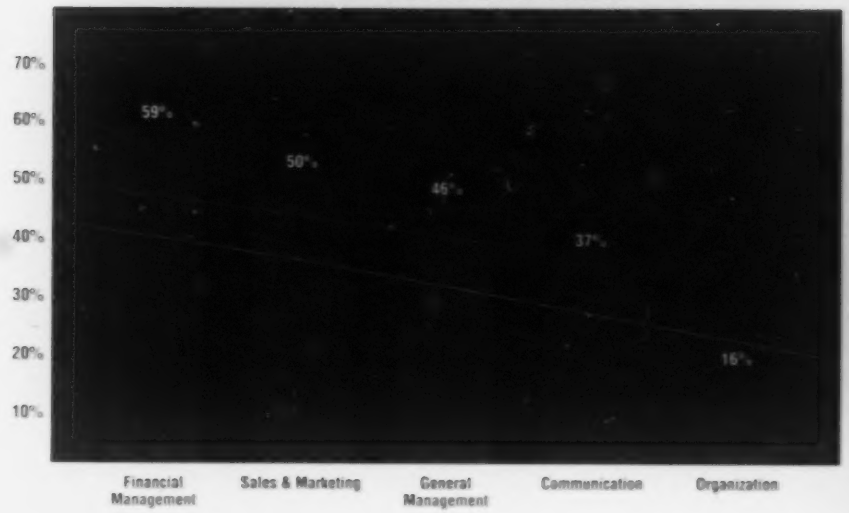
Eastern Managers: Strategic Goals



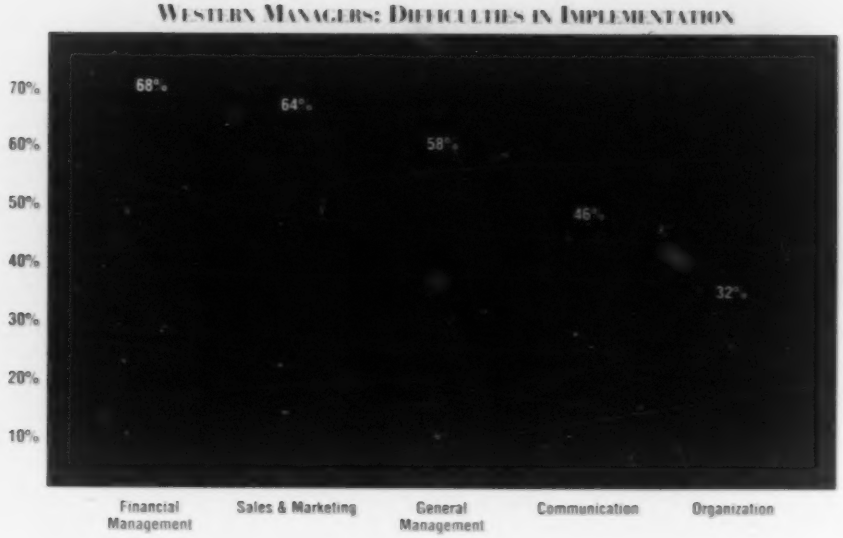
Local managers, however, tended to emphasize goals less rapidly achieved: building up the company's management infrastructure and assuring long-term stability.

Local Expectations: According to the Western managers interviewed, local partners expected them to provide management know-how in financial management first and foremost. Few local partners expressed a desire for basic organizational expertise.

Western Managers: Local Expectations



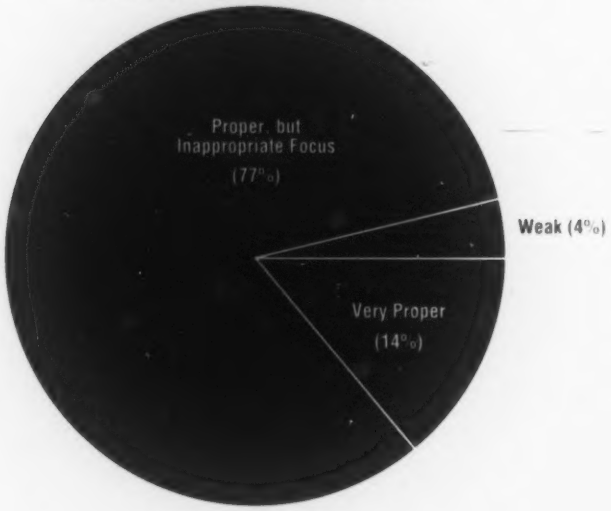
Western Managers: Difficulties in Implementation



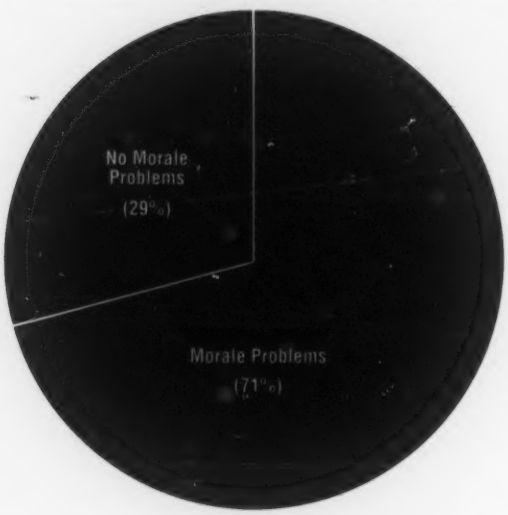
Difficulties in Implementation: But Western managers found it difficult to provide the know-how that Eastern managers wanted. To varying levels, they reported roadblocks in the implementation of many management practices.

What accounted for these difficulties? Only 14 percent of Western managers considered that their Eastern partners were properly trained to perform the tasks at hand. Most thought that while their local colleagues had a firm educational background, their experience was not appropriate to their necessary responsibilities.

Western Managers: Grading Professional Training of Eastern Managers



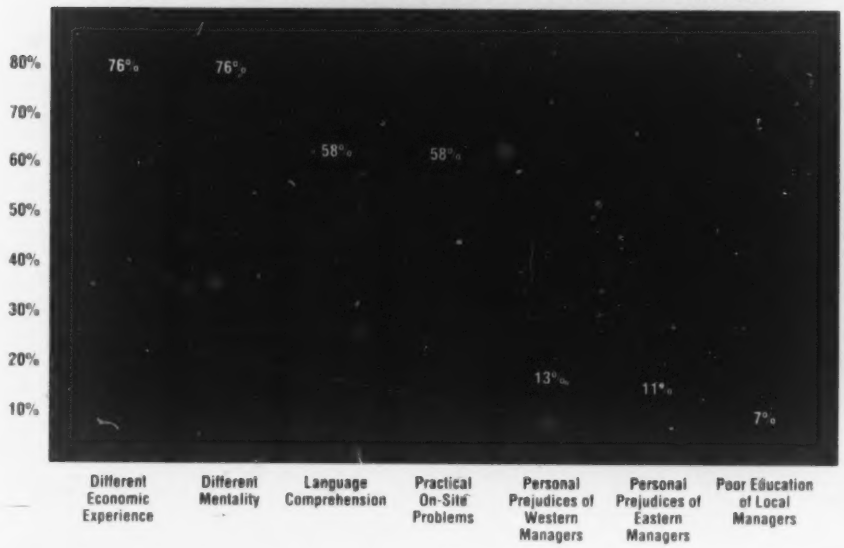
Western Managers: Evaluating Morale Problems Among Eastern Managers



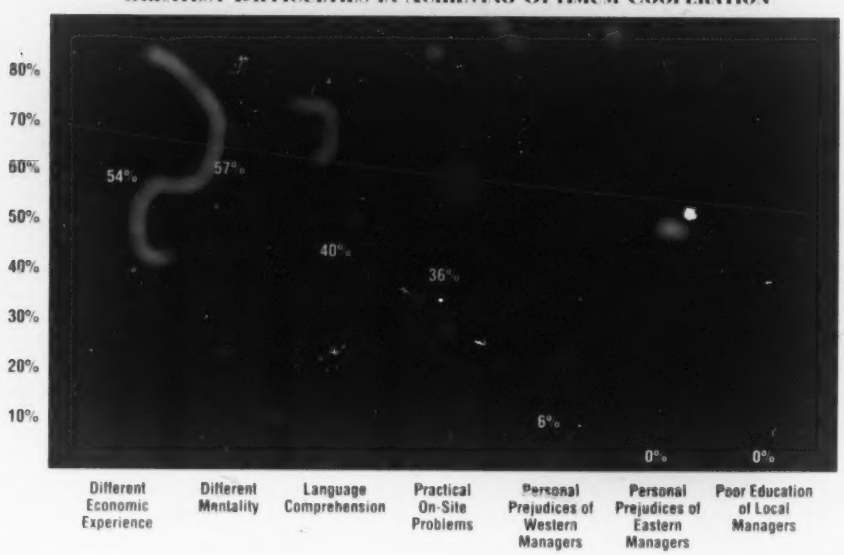
Moreover, the economic and organizational problems that were the legacy of the post-war years had created problems in workforce morale. Nearly three-quarters of the Western managers interviewed reported workplace morale problems among their local partners.

Difficulties in Cooperation: Eastern and Western managers agreed that differences in the economic experiences of the two blocs, and the differences in personal mentalities spawned by those experiences, presented the greatest roadblocks to achieving optimum cooperation. However, Western managers mentioned difficulties more frequently. The implication: Western managers were more daunted by these problems than their Eastern colleagues.

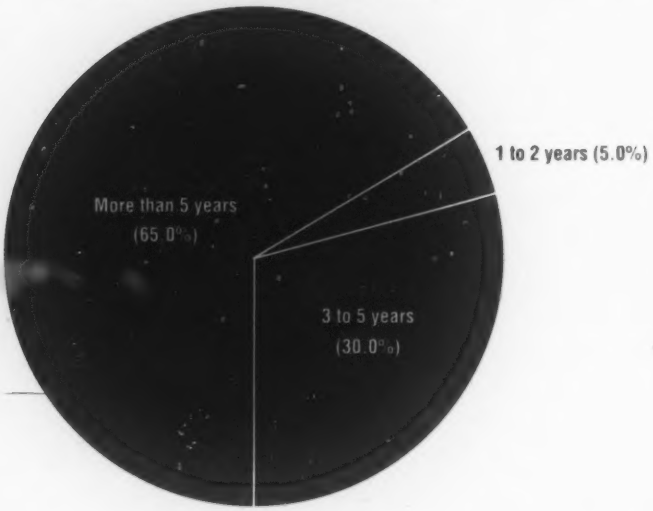
Western Managers:
Greatest Difficulties in Achieving Optimum Cooperation



Eastern Managers:
Greatest Difficulties in Achieving Optimum Cooperation



Western Managers: Period of Time Necessary to Eliminate Difficulties



Eastern Managers: Period of Time Necessary to Eliminate Difficulties

Yet despite their more frequent citings of these roadblocks, Western managers were far more optimistic about their ability to overcome the difficulties. While every single Eastern manager interviewed thought that it would take a minimum of five years to eliminate these difficulties, a third of the Western managers foresaw a shorter timetable.

In summarizing the lengthy H. Neumann International report, Dr. Loth listed these significant conclusions:

- In the companies studied, the first phase of the transfer of management know-how has been completed. On a theoretical level, many local managers have acquired the relevant skills. On a practical and everyday level, their effective implementation is still to be achieved.
- The range of problems related to decision making requires a new approach, a new mentality, and new priorities from both sides. Western managers think that their East European colleagues are too indecisive in this respect, while the latter are at the same time demanding that Western managers give them more opportunity to exercise authority.
- There is an obvious correlation between the opinions of Western and East European managers concerning the problems resulting from cultural differences and differences in mentality and their possible solution. While considerable harmony prevails, much greater effort must be expended to acquire a true understanding of the other's mentality and cultural background. Special training programs are vital in this respect.
- A compromise is in view: having acquired a working knowledge of local conditions, Western managers are now ready to understand, accept and incorporate them into their business strategies and tactics. On the other hand, East European managers have ceased to base their every thought and action on consideration of local circumstances.

For more information about the H. Neumann International report, we invite you to contact:

H. Neumann International Consultants
Eschenbachgasse 11 A 1010 Vienna
Telephone: 43-1-588-32-0
Fax: 43-1-588-32-200

About this Survey

Under the direction of Dr. Tomas Toth, H. Neumann International Management Consultants interviewed 135 Western managers and an identical number of local managers in joint ventures operating in Hungary (50 firms), Czechoslovakia (50), and Poland (35).

The Western managers worked in ventures belonging to the following business sectors:

	Hungary	Czech	Poland	Total
■ Investment Industry	30%	15%	0%	17%
■ Services	30%	0%	20%	16%
■ Trade	15%	0%	30%	13%
■ Consumer Goods	0%	30%	0%	11%
■ Banking	0%	5%	15%	6%
■ Consultancy	20%	25%	0%	17%
■ Production	0%	0%	30%	8%
■ Other	5%	5%	5%	5%

The Western managers interviewed held the following positions:

	Hungary	Czech	Poland	Total
■ Managing Director	70%	70%	70%	70%
■ Office manager	20%	20%	15%	19%
■ Shareholder, Managing Dir.	10%	10%	10%	10%
■ Senior Officer	0%	0%	5%	1%

While the interview material and statistics provided in this report were gathered by H. Neumann International, the selection of data and the comments and conclusions based upon the survey findings are the responsibility of AMA Research.

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1994 AMA Survey on Trends in Corporate Finance

A Research Report published
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AMA Research Reports

Eric Rolfe Greenberg, *Director of Management Studies*
Carol Cannoneri, *Research Administrator*

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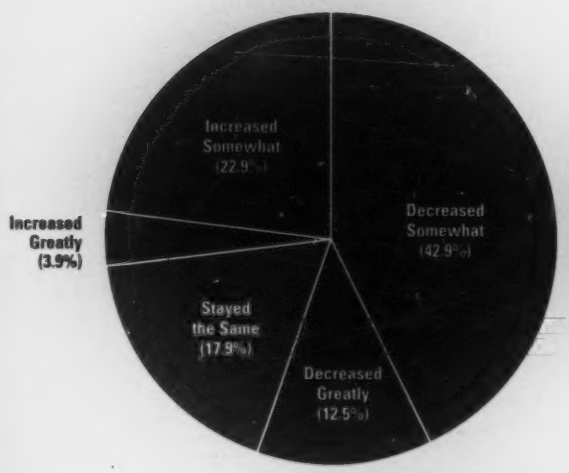
TRENDS IN CORPORATE FINANCE

As this AMA Research Report was being drawn, the Federal Reserve Board announced an increase in its Federal Funds rate from three to three-and-one-quarter percent. This slight adjustment in the rate that banks are charged for short-term borrowing reverberated through the financial markets; the Dow Jones Industrial Average dropped 97 points the following day.

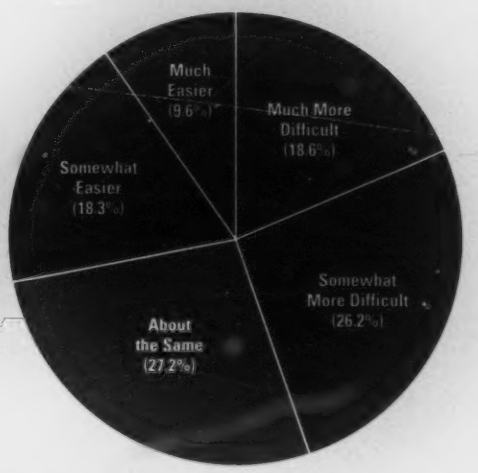
Why such a strong reaction? It was the first time in five years that the Federal Reserve had raised any interest rate. Since 1989, the trend at the Fed, and among all other lenders, has been steadily downward, through the 1990-91 recession and the slow-growth recovery that followed.

But this downward spiral in interest rates has not ushered in an era of easy money. Although a majority of the financial officers responding to this AMA survey agree that the cost of capital relative to risk has diminished since 1988, only 28 percent say that obtaining a commercial loan from a U.S. domestic bank is easier today than it was five years ago. Nearly half — and over 60 percent of those who work in smaller companies — say the opposite.

COST OF CAPITAL RELATIVE TO RISK, TODAY vs. FIVE YEARS AGO



OBTAINING FUNDS FROM DOMESTIC COMMERCIAL BANKS, TODAY vs. FIVE YEARS AGO



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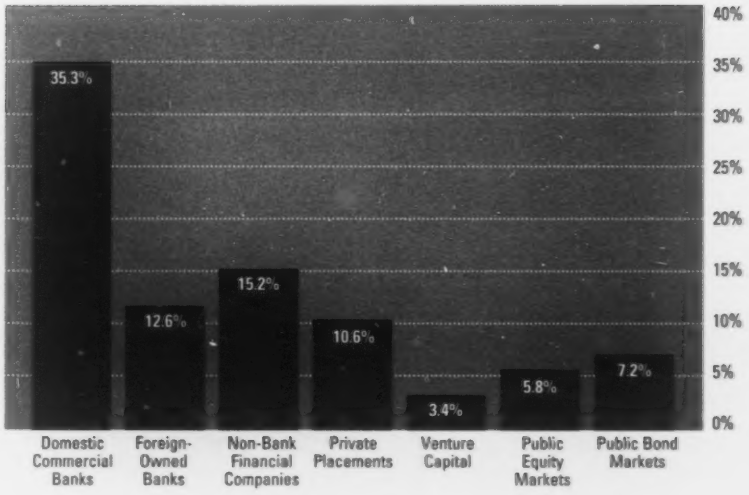
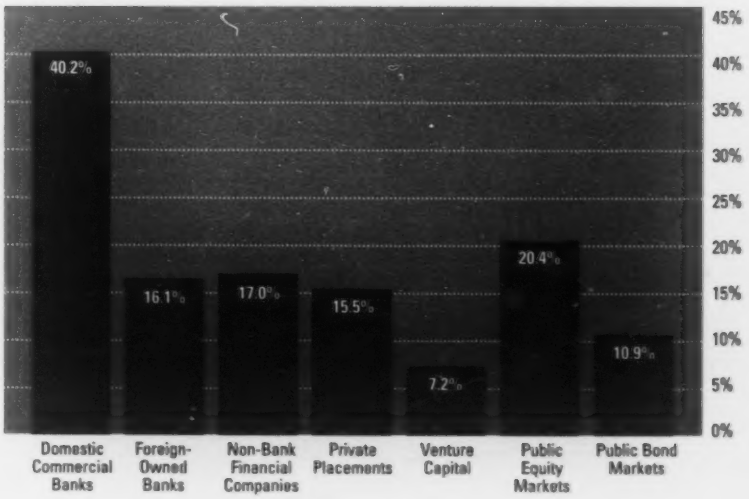
The current contradiction — that money costs less, but is more difficult to obtain from domestic commercial banks — has led to a far-reaching search for other lenders. Thirty-seven percent of respondent firms say they are more reliant today on sources *other* than domestic commerical banks than they were five years ago. The biggest winner: non-bank financial service companies.

PCT OF RESPONDENTS MORE RELIANT TODAY THAN FIVE YEARS AGO ON:



The data indicates that the trend will continue into the future. Forty-seven percent of respondent firms expect to become more reliant than today on other sources of capital over the next five years.

PCT OF RESPONDENTS FORECASTING GREATER RELIANCE FIVE YEARS FROM NOW ON:



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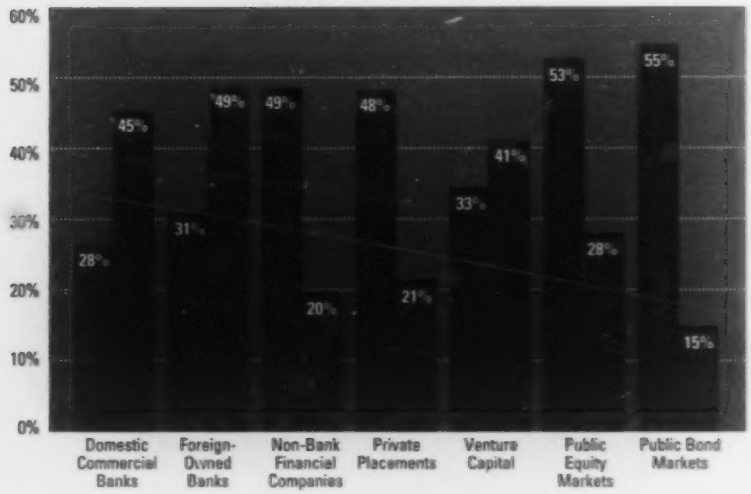
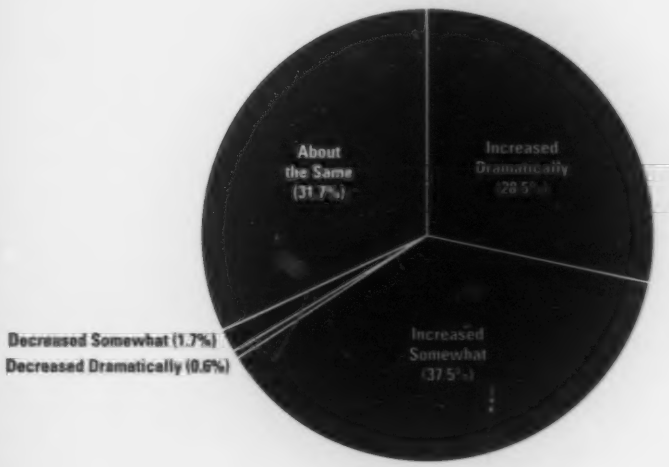
OBTAINING FUNDS FROM SOURCES, TODAY vs. FIVE YEARS AGO



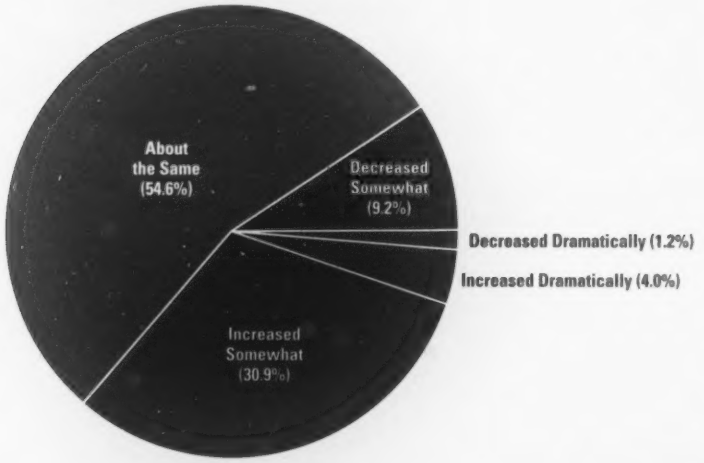
Only 30 percent of AMA respondents say it's easier to obtain funds from banks (domestic and foreign) and venture capitalists today than five years ago; nearly half say it's more difficult. The reverse is true concerning public equity and bond markets, private placements, and non-bank financial service firms.

IMPORTANCE OF CREDIT RATING TODAY vs. FIVE YEARS AGO



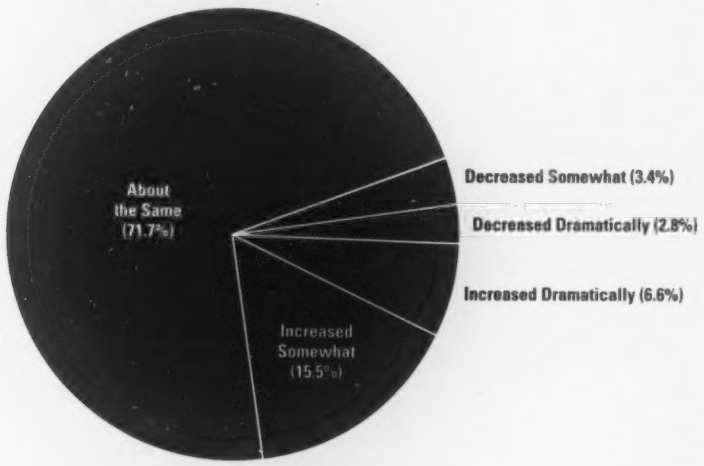
With new and additional sources of capital on call, improving or preserving the corporation's credit rating has become more important to a majority of respondents.

NUMBER OF BANKS DEALT WITH TODAY vs. FIVE YEARS AGO



While domestic banks remain the primary source for corporate borrowing, companies seeking bank funding have cast a wider net. One-third report an increase in the *number* of domestic banks with which they do business; 21 percent report an increase in the number of foreign-owned banks with which they deal.

NUMBER OF FOREIGN-OWNED BANKS DEALT WITH TODAY vs. FIVE YEARS AGO



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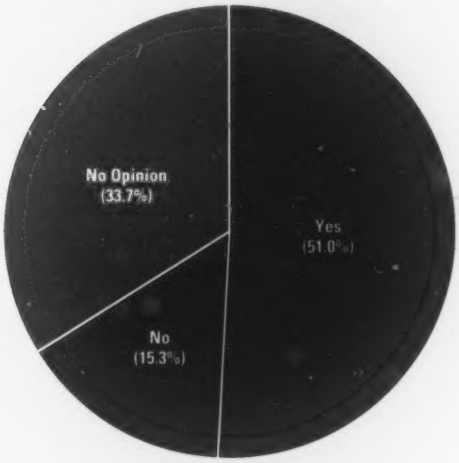
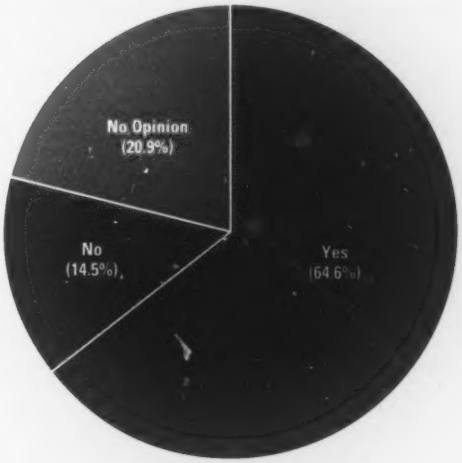
SHOULD COMMERCIAL BANKS BE FREER TO OFFER INVESTMENT BANKING SERVICES?



Most respondents favor fewer restrictions on the activities of commercial banks.

SHOULD NON-BANKS BE SUBJECT TO THE SAME REGULATIONS AS COMMERCIAL BANKS?

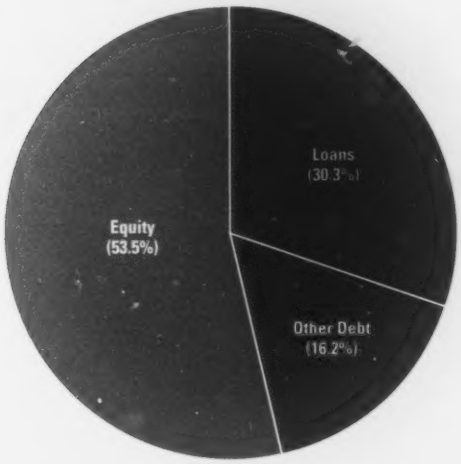


At the same time, to "level the playing field," respondents want non-bank sources to be regulated in much the same manner as commercial banks.

EXPECT TO RELY ON COMMERCIAL BANKS FOR TRADITIONAL INVESTMENT SERVICES

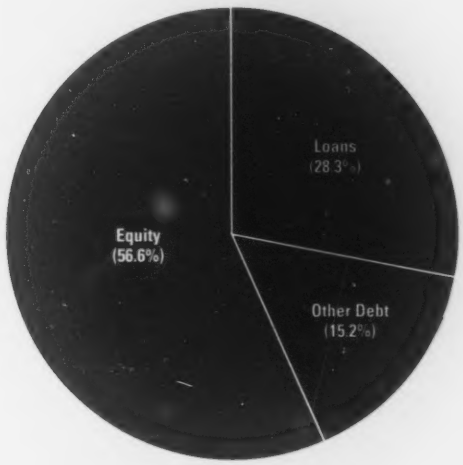
But opinions to the contrary notwithstanding, fewer than one-fourth of survey respondents expect to use commercial banks in the future for services traditionally offered by investment firms.

APPORTIONMENT OF TOTAL CAPITAL, 1988
(AVERAGES)

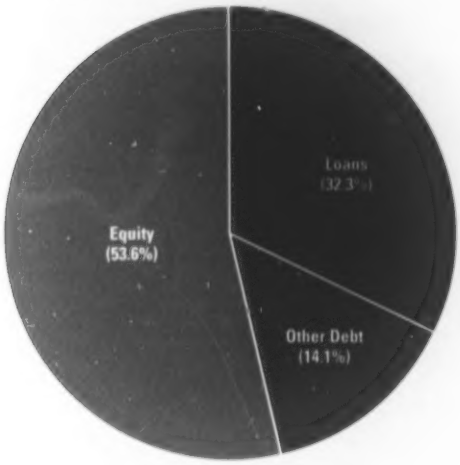


Although the cost of borrowed money has fallen since 1988, only 30 percent of respondent firms have increased their debt relative to equity. With the exception of the sample's smallest companies, total capital today is apportioned very much as it was five years ago.

APPORTIONMENT OF TOTAL CAPITAL TODAY
(AVERAGES)

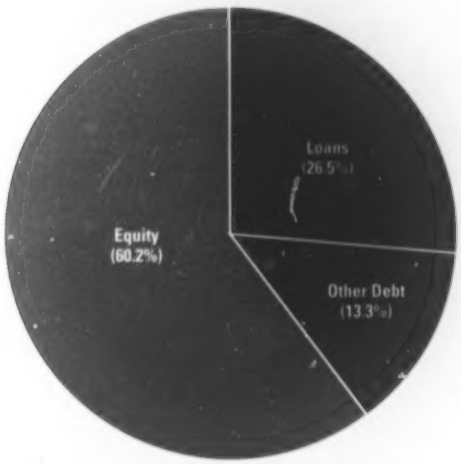


APPORTIONMENT OF TOTAL CAPITAL, 1988
(AVERAGES—SMALL COMPANIES)



Unlike larger firms, companies that gross less than $10 million annually have been paying down their debt and building equity over the past five years.

APPORTIONMENT OF TOTAL CAPITAL TODAY
(AVERAGES—SMALL COMPANIES)



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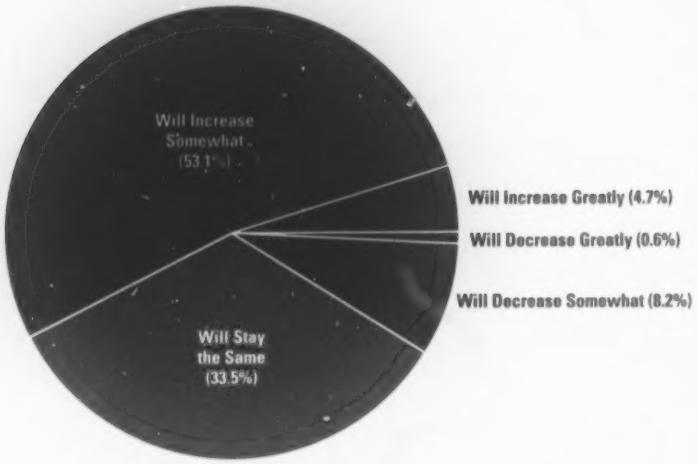
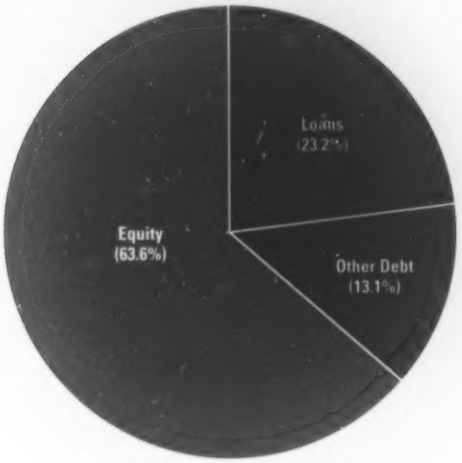
COST OF CAPITAL RELATIVE TO RISK OVER THE COMING FIVE YEARS

Respondents expect that the current, comparatively low cost of capital relative to risk will not last long. More than half forecast a reversal of the recent trend in the coming five years.


Will Increase Somewhat (53.1%)
Will Increase Greatly (4.7%)
Will Decrease Greatly (0.6%)
Will Decrease Somewhat (8.2%)
Will Stay the Same (33.5%)

APPORTIONMENT OF TOTAL CAPITAL, FIVE-YEAR FORECAST (AVERAGES)



Because borrowed money will cost more, companies expect to pay down both loans and other forms of debt, increasing their equity as a percentage of total capital.

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ABOUT THIS SURVEY

AMA Research mailed its questionnaire on Trends in Corporate Finance to financial managers in AMA-member companies in October 1993. By mid-December, 348 usable questionnaires had been returned. Of these, 76.7% were privately held, 22.1% were publicly traded, and 1.4% did not indicate their ownership category. This self-selecting sample presents the following profile:

Annual Sales or Budget	Privately Owned	Publicly Traded	Whole Sample
Under $10 million	20.2%	5.2%	17.0%
$10 to $49.9 million	46.1%	13.0%	38.5%
$50 to $249.9 million	23.6%	39.0%	27.0%
$250 million or more	9.4%	40.3%	16.4%
No answer	0.7%	2.6%	1.2%
Business Category			
Manufacturing	50.9%	48.1%	50.0%
General Services	16.5%	15.6%	16.9%
Financial Services	7.5%	13.0%	8.6%
Business & Professional Services	12.0%	7.8%	10.9%
Wholesale & Retail Trade	10.9%	5.2%	9.5%
Regulated Utilities	2.3%	9.1%	4.3%
Unclassified or Unclassifiable	0.0%	1.3%	0.3%

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1994 AMA SURVEY ON WORKPLACE DRUG TESTING AND DRUG ABUSE POLICIES

A Research Report published
exclusively for corporate members of the
American Management Association

AMA Research Reports

Eric Rolfe Greenberg, *Director of Management Studies*
Carol Canzoneri, *Research Administrator*
Tatem Straker, *Data Input Associate*

We gratefully acknowledge those who have assisted in the development of the AMA questionnaire on Workplace Drug Testing and Drug Abuse Policies:

Francine Picoult, *Office of National Drug Control Policy*
Lewis Maltby, *American Civil Liberties Union*
Dr. Dale Masi, *Masi Research Consultants*

Data gathering, tabulation, and analysis are entirely the responsibility of AMA Research.

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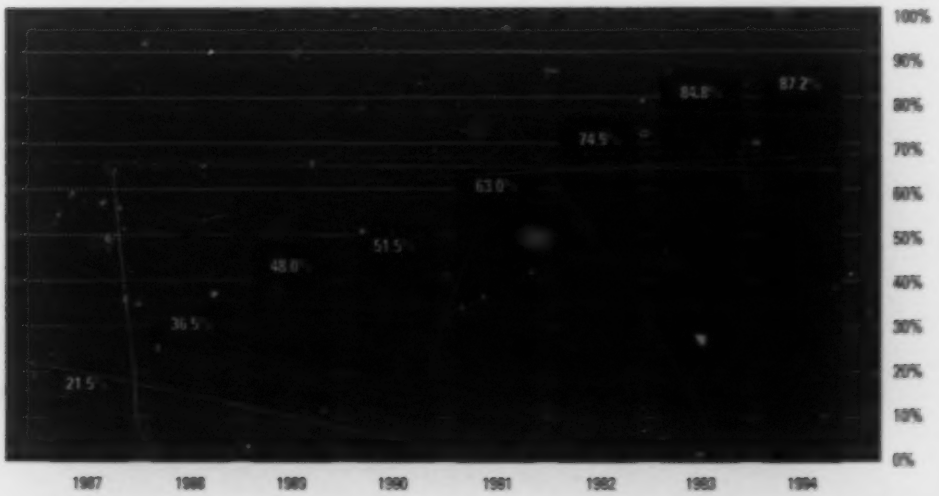
WORKPLACE DRUG TESTING AND DRUG ABUSE POLICIES

The dramatic rates of increase that have marked corporate drug testing in recent years, and the accompanying decrease in test-positive ratios for both employees and new hires, came to a halt in 1993. The share of surveyed organizations that test for drugs rose a mere 2.4 percent, to 87.2 percent in January 1994 from 84.8 percent a year earlier — the slightest rise in the eight years of AMA survey activity in this area.

WORKPLACE DRUG TESTING, 1987-1994



This year's report must be read with a sharp eye to the realities of statistical sampling. The 1994 survey found a lesser share of respondent firms engaged in such key activities as testing of job applicants and periodic or random testing of current employees than reported in 1993. It is important to bear in mind that these findings do **not** confirm an actual decrease in these practices. The margins of error in both the 1993 and 1994 samples were +/- 3.5 percent; the year-to-year differences we report in these and other areas are within that margin.

The findings **do** confirm a pause in the exponential growth of these policies and practices since 1987. That pause may well prove temporary; new Department of Transportation regulations will double the number of mass transit workers, interstate truckers, and bus drivers that will be tested in 1994.

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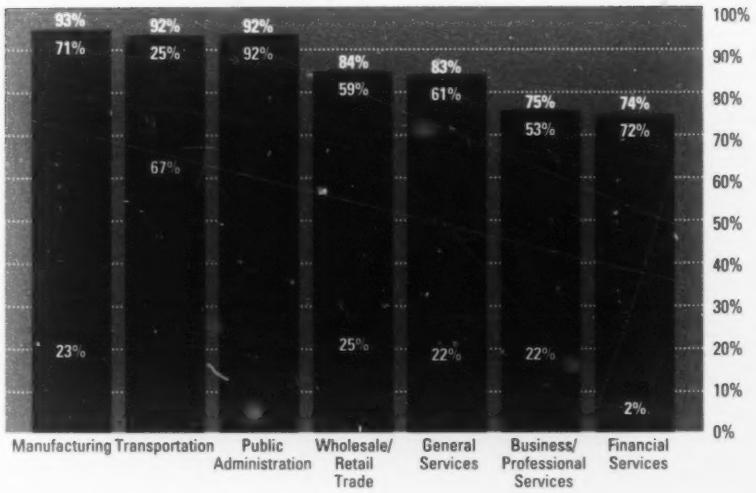
Summary of Key Findings

Regulations promulgated in the late 1980s by the Departments of Transportation and Defense, the practical effects of the 1989 Federal Drug-Free Workplace Act, and recent state and local legislation have targeted the transportation industry and public employees, as well as manufacturers, wholesalers, and retailers whose activities often include the transportation of goods.

Test Without Requirement

Required to Test

DRUG TESTING — BY BUSINESS CATEGORY

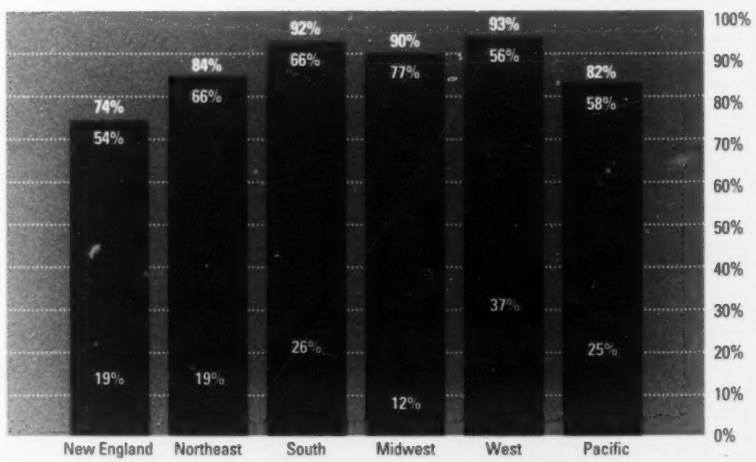


These regulations, which are especially prevalent in the South and the West (which includes Texas and Oklahoma as well as the desert and mountain states), account in part for the higher levels of testing practiced there.

Test Without Requirement

Required to Test

DRUG TESTING — BY GEOGRAPHICAL REGION



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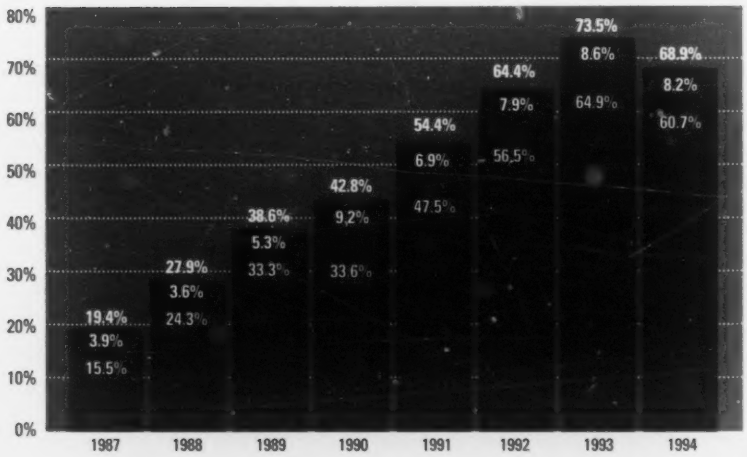
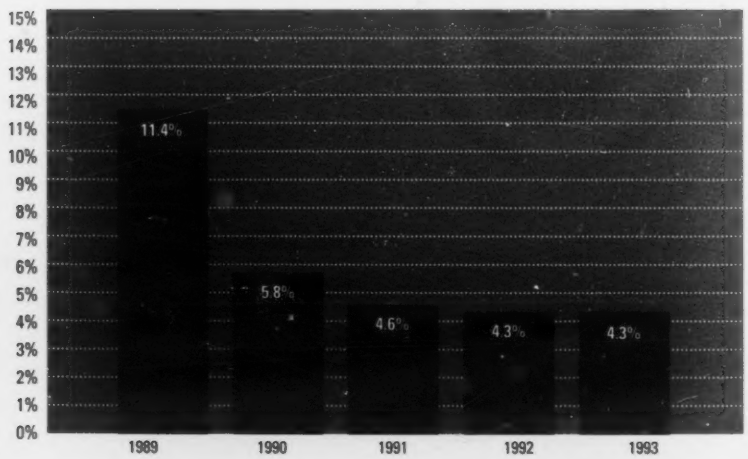
TESTING JOB APPLICANTS, 1987-1994



Testing Job Applicants

The reported 4.6% decline from 1993 to 1994 in testing job applicants is within the margins of error for both years' samples and does not indicate an actual decrease in pre-employment testing (see page 1). It does signal an end to the growth in universal pre-employment testing (i.e., testing **all** new hires), which increased fourfold from 1987 to 1993.

TEST-POSITIVE RATES (JOB APPLICANTS)



The steadying rates of universal testing brought a halt to the ever-increasing testing pool that pushed applicant test-positive ratios downward from 1989 to 1992.

Only one percent of firms that test job seekers will hire test-positive applicants on a probationary basis; three percent take "other" actions that include retesting at a later date. The rest withdraw the job offer.

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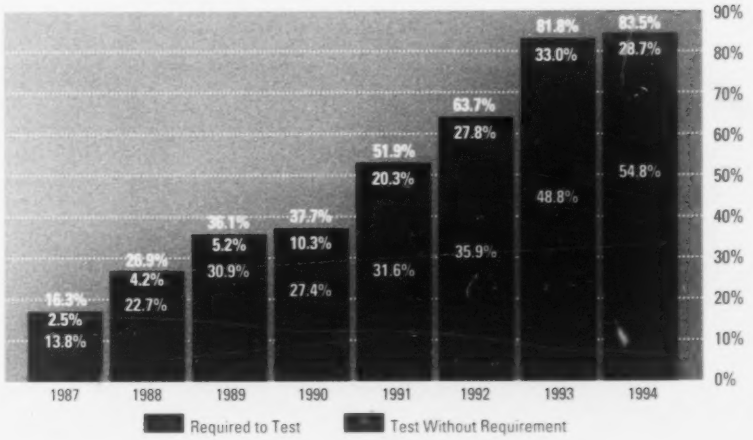
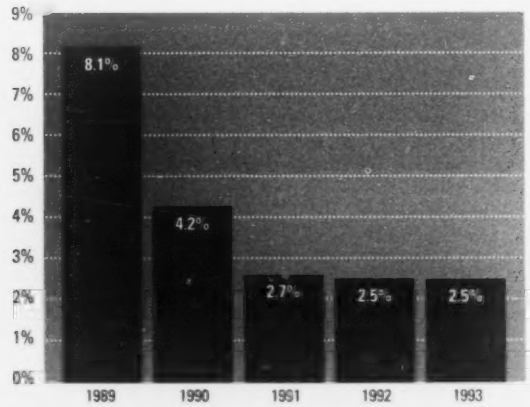
Testing Current Employees

From 1987 to 1993, the share of companies practicing periodic or random testing of employees increased by some 1,200%, but the 1994 findings show a slight decline, to 29% from 33% (within the sample's margin of error). While in 1993 practitioners reported testing an average 41% of covered employees, that figure dropped to 34% in 1994. This is one of a number of indications that corporate drug testing has entered a period of readjustment in terms of the selection and number of employees subject to annual testing.

TESTING CURRENT EMPLOYEES, 1987-1994

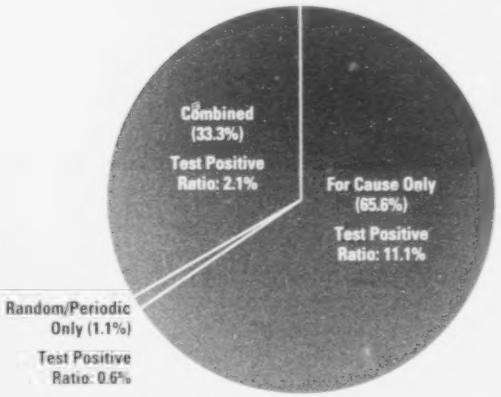


TEST-POSITIVE RATES (EMPLOYEES)



The greater the share of employees tested on a periodic or random basis, the lower the test-positive ratios. There is a direct year-to-year correlation between the **increase** in periodic or random testing and the **decrease** in test-positive ratios; with no increase reported in periodic or random testing from last year, test-positive ratios steadied.

POLICIES & TEST-POSITIVE RATES



A further indication of the effect of testing policies on employee test-positive ratios: such rates were nearly twenty times higher in companies that test **only** for cause than in companies that test **only** on a periodic or random basis.

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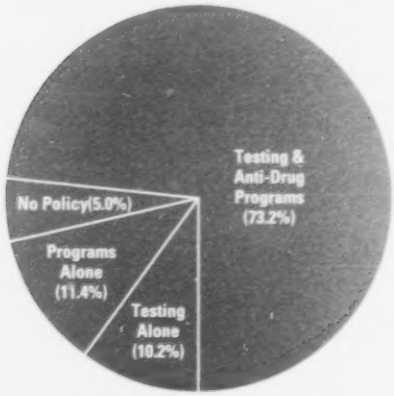
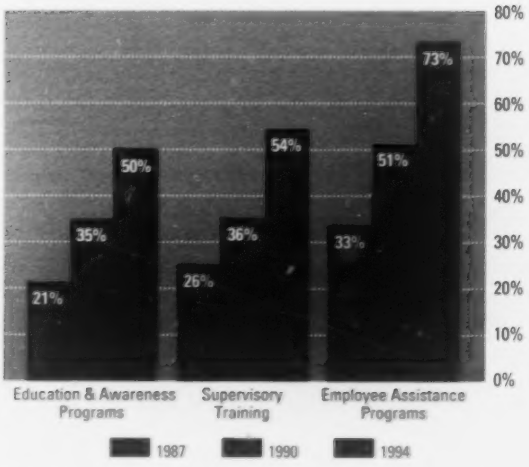
COMBATING WORKPLACE DRUG ABUSE



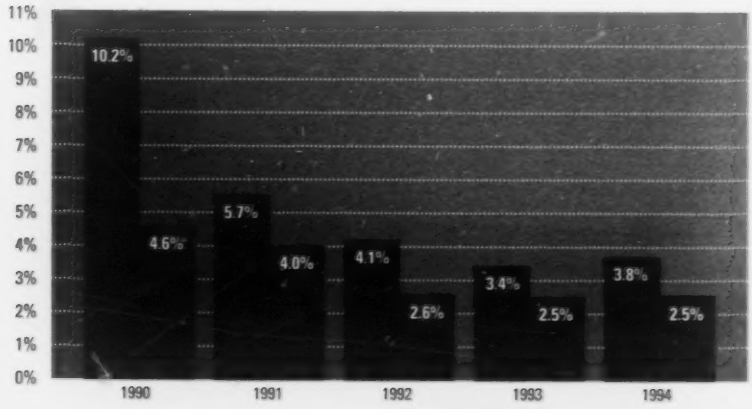
Drug testing is rarely a standalone policy. Only 10% of respondent firms counts on testing alone to deal with employee drug use. A similar number do no testing, but rely on one or more anti-drug initiatives such as drug education and awareness programs, supervisory training, and employee assistance programs (EAPs) to keep the environment drug free — a policy in line with the Drug-Free Workplace Act, which does not mandate testing.

ANTI-DRUG INITIATIVES, 1987-1994



The growth of testing and the decline in test-positive ratios correlate with the growth of anti-drug initiatives other than testing; as with testing itself, the rates of growth slowed in 1993.

EFFECT OF OTHER ANTI-DRUG INITIATIVES ON TEST-POSITIVE RATIOS



Companies that provide one or more of these other initiatives continue to report significantly lower test-positive ratios than companies that rely on testing alone.

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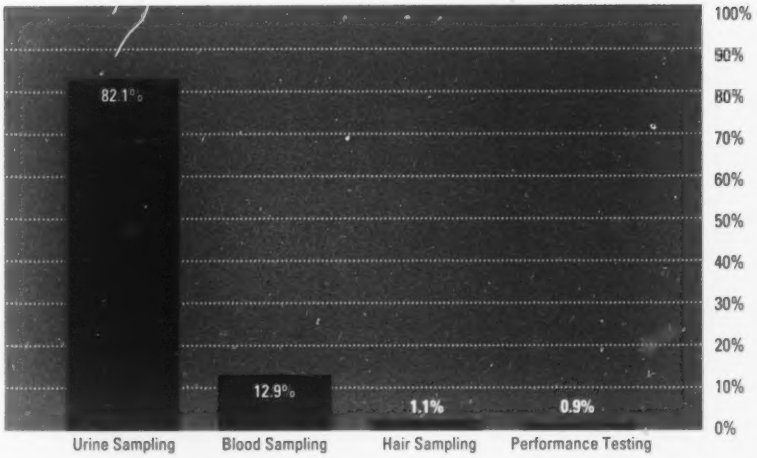
Urine sampling continues to be the preferred method of testing. Hair sampling can discover drug traces for a longer period of time after use. Non-medical performance testing confirms that the test subject is capable of doing job tasks at the time those tasks are to be performed.

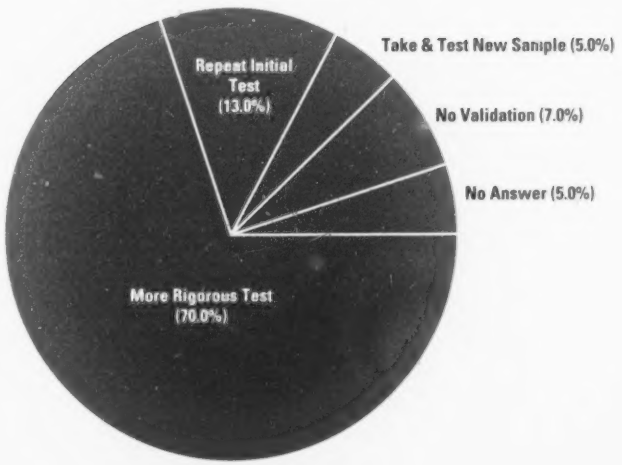
TESTING METHODS EMPLOYED



Recommended procedures for urine sampling provide for a first-screen immunoassay test, with positive findings confirmed by the more sophisticated (and more expensive) gas-chromatography method. A worrisome 25% do not follow this procedure, and 5% do no validation whatsoever.

Moreover, only half (48%) of firms that test use a medical review office (MRO) to analyze test findings, judge them against the test subject's medical history, and render a verdict to the employer — a practice that offers significant protection against false positives, or for users of prescription drugs.

VALIDATION POLICIES



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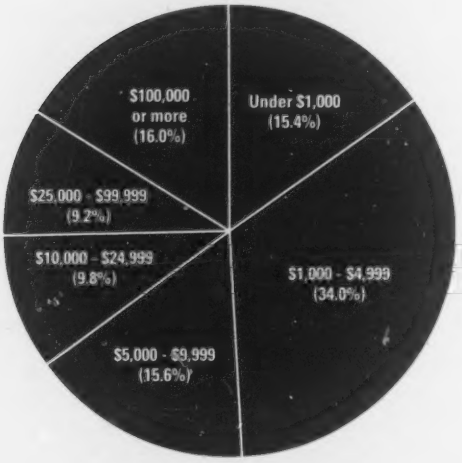
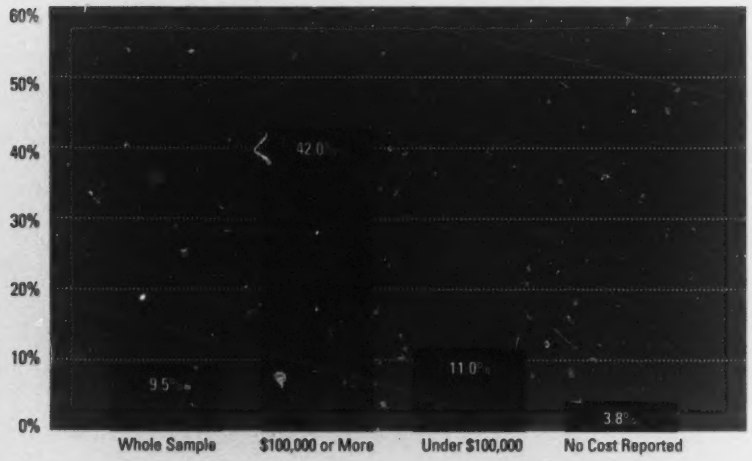
COST OF TESTING, 1993



The average cost of testing in 1993 was $26,765 — a figure greatly affected by the number of people tested (and thus by testing policies) and by the number of test-positives requiring validation. Half the respondent firms spent less than $5,000; the average was pushed up by a relative few (16% of those reporting costs) that spent above $100,000. The average cost per testee was $38.85.

COST-JUSTIFICATION STUDIES — BY 1993 COSTS



Because testing does not constitute a major expense at most firms, few have undertaken a cost-justification study of their testing programs. However, when costs mount, cost-justification studies are common.

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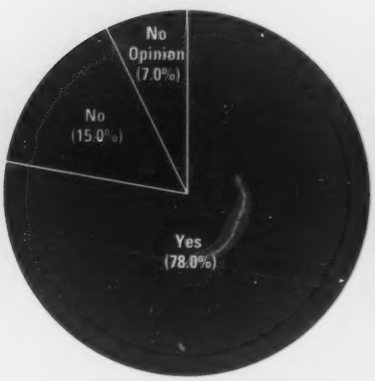
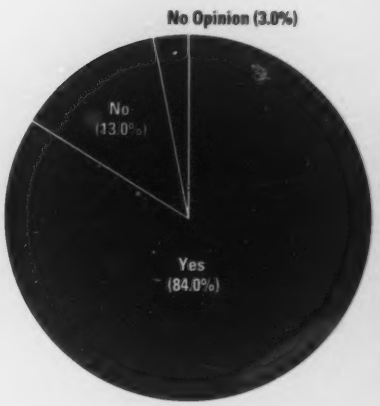
IS TESTING EFFECTIVE?
(1987)

IS TESTING EFFECTIVE?
(1991)



IS TESTING EFFECTIVE?
(1994)



Workplace drug testing has proven its worth to most human resources managers in organizations that practice it. There is little doubt that testing is an effective method of identifying drug users, so long as proper validation methods are employed and the chain of specimen control is assured.

However, no finding of this eight-year AMA survey effort can confirm with statistical certainty that testing deters drug use. Declines in the test-positive ratios reported in earlier years were a function of an ever-widening testing pool and the screening effect of pre-employment testing; as the growth rates in periodic and random testing and in universal pre-employment testing have ebbed, the test-positive ratios have shrunk by finer margins, and in 1993 were unchanged from 1992.

The findings do provide a statistical case that education, training, counseling, and treatment have a measurable effect on drug use. Drug testing, where utilized, ought to be part of a comprehensive policy that includes these other, demonstrably successful initiatives.

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ABOUT THIS SURVEY

AMA's eighth annual survey questionnaire on workplace testing was mailed on January 6, 1994, to human resources managers in AMA-member companies. By March 1, we had received 794 usable questionnaires to form the database for the present study.

The current sample accurately represents AMA's corporate membership of 7,000 U.S. organizations, which in total employ a quarter of the American workforce. It is not a statistically accurate sampling of American corporations as a whole, 98 percent of which gross less than $10 million and/or employ fewer than 50 people.

While not identical to the database in previous years, this self-selecting sample is sufficiently similar to those of previous years to allow statistically valid year-to-year comparisons. Here are the sample profiles for both the 1993 and 1994 surveys; the 1994 sample contains a somewhat greater representation of firms grossing less than $50 million, which, together with the sample's 3.5% margin of error, may account for the slight declines reported in such activities as periodic or random testing of employees and pre-employment testing.

Business Category	1993	1994
Manufacturing	49.2%	48.1%
General Services	18.7%	25.2%
Finance, Insurance, Real Estate	10.8%	7.2%
Business and Professional Services	9.4%	6.9%
Wholesale and Retail Trade	6.0%	6.4%
Transportation	3.3%	3.0%
Public Administration	1.6%	3.2%
Unclassified and Unclassifiable	1.0%	0.0%

Annual Sales*	1993	1994
Under $10 million	6.0%	8.1%
$10 to $49.9 million	20.2%	24.8%
$50 to $249 million	26.4%	24.8%
$250 to $500 million	9.8%	9.6%
More than $500 million	26.5%	19.1%
Not Reported	11.1%	8.3%

* or operating budget, if nonprofit

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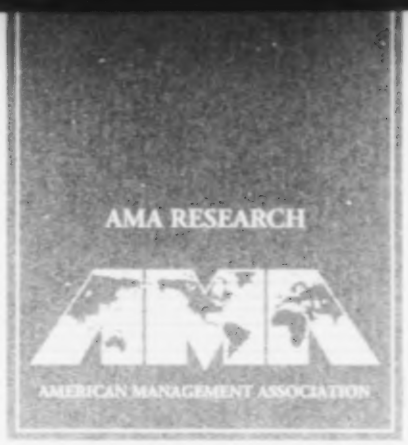

1994 AMA Survey on Basic Skills Testing and Training

A Research Report published
exclusively for corporate members of the
American Management Association

AMA Research Reports

Eric Rolfe Greenberg, *Director of Management Studies*
Carol Canzoneri, *Research Administrator*
Tatem Straker, *Data Input Associate*

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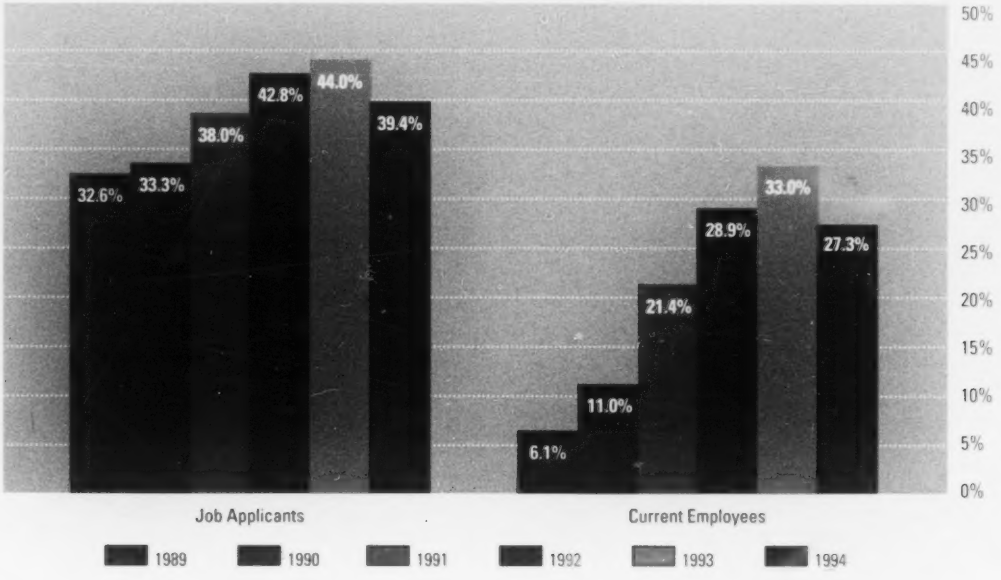
BASIC SKILLS TESTING AND TRAINING

What are "basic skills"? The AMA workplace testing questionnaire defines them as "functional workplace literacy, i.e., the ability to read instructions, write reports, and/or do arithmetic at a level adequate to perform common workplace tasks."

The share of surveyed firms that performs testing in basic reading and/or math skills showed a decrease from 1993 to 1994, but the difference is within the margins of error for both the 1993 and 1994 samples and does not indicate an actual decline in testing practices. It does, however, confirm the lesser growth rates apparent since the onset of the 1990-91 recession.

BASIC SKILLS TESTING



Companies that perform testing on either job applicants or current employees are three times as likely to sponsor remedial training programs than companies that do no testing. An awareness of the dimensions of the problem is the first step towards providing solutions.

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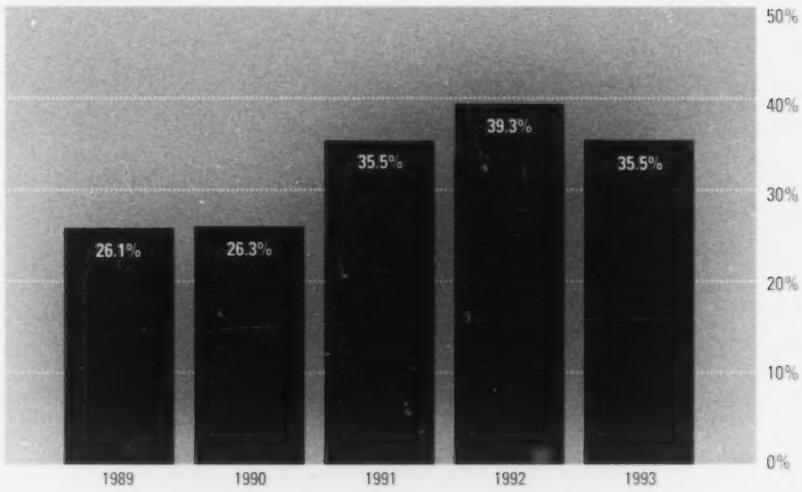
Summary of Key Findings

Job Applicant Testing: AMA respondent firms tested over 65,000 job applicants in 1993, and for the third consecutive year more than one-third of those tested proved deficient in basic reading and/or math skills.

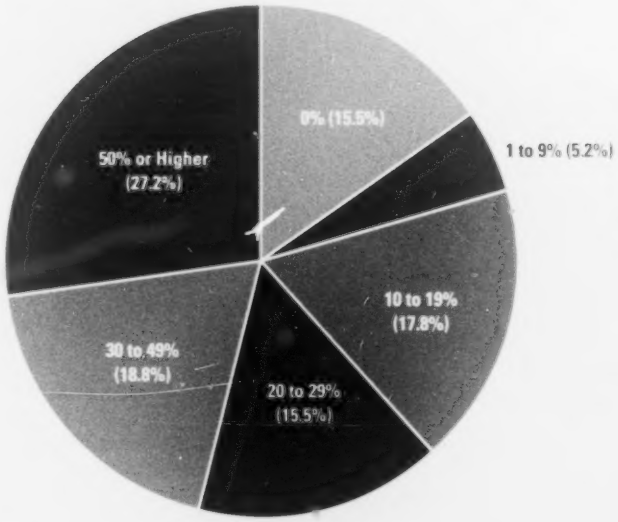
DEFICIENCY RATES — APPLICANTS



While the *overall* deficiency rate was 35.5%, the *mode*, or most frequently reported rate, was in the 10-19% range, and the *median* — half the sample reporting above the mark, and half below — was 25%. Of those reporting a zero deficiency rate, none tested more than 100 applicants.

Deficiency rates were highest in the public sector, where 47% of those applying for public administration or government jobs lacked the basic skills necessary to perform those jobs. In the private sector, deficiency rates were highest among manufacturers (42%), lowest among suppliers of business and professional services (13%).

RANGE OF DEFICIENCY RATES



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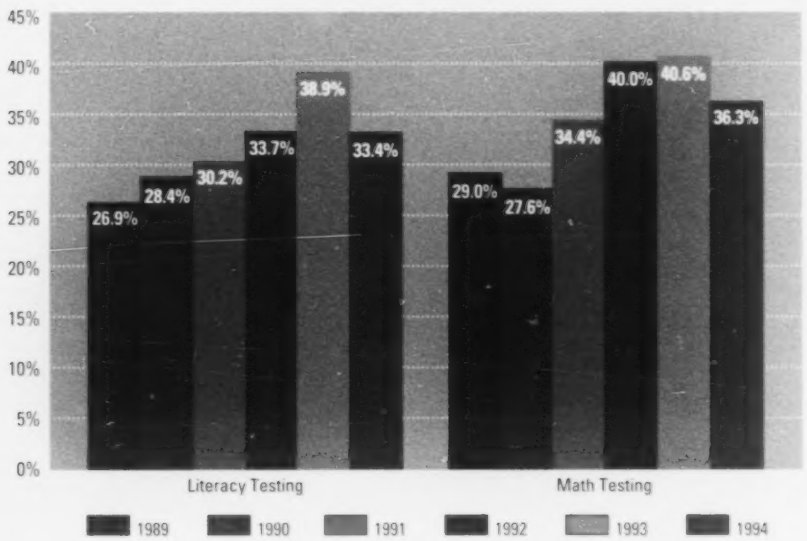
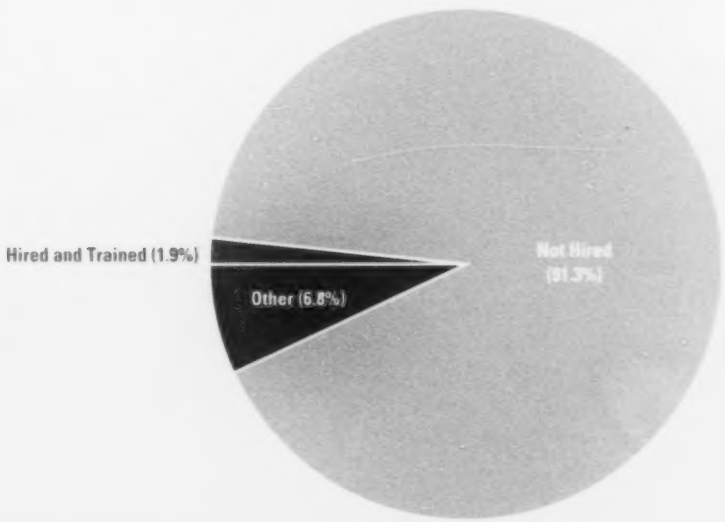
JOB APPLICANT TESTING, 1989-1994



By a slight margin, applicants are more likely to be tested in math skills than in reading and writing. Only nine percent of respondent firms test *all* job applicants in literacy skills, and seven percent test all applicants in math; the remainder select applicants according to such criteria as job category (28%) or minimum completed school grade (2%).

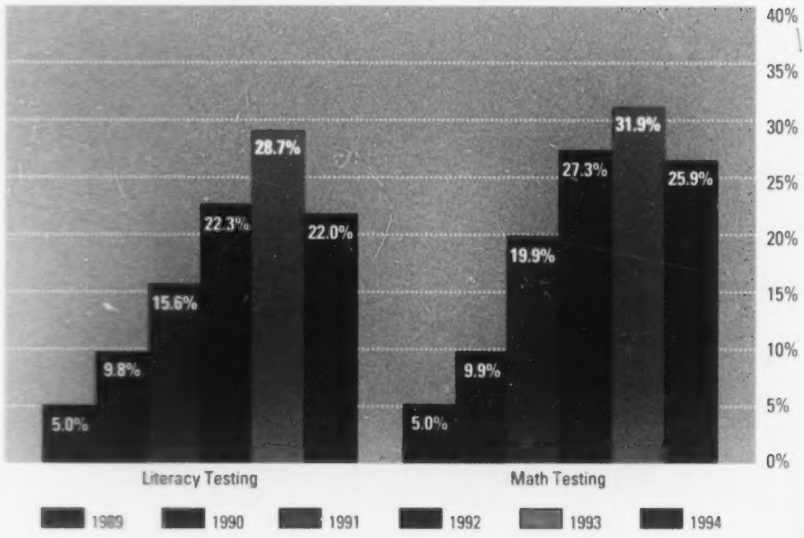
ACTION ON SKILLS-DEFICIENT APPLICANTS



In a "buyer's market" for labor, most companies find it more economical to test applicants until a sufficient number of qualified workers are found, rather than to hire skills-deficient job seekers and train them. "Other" policies include re-testing at a later date.

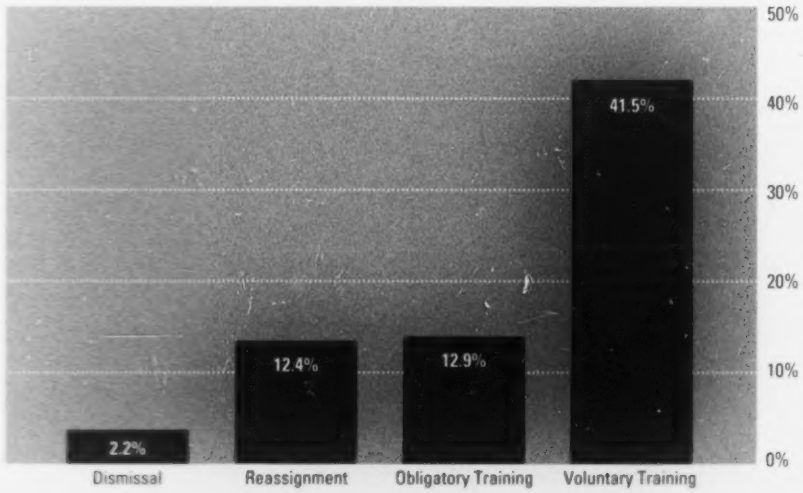
Employee Testing: After five years of steady increase, skills testing of current employees showed a decline over the past year. The difference in the 1993 and 1994 figures are at the limits of the margins of error for both years' samples. As is the case in applicant testing, current employees are more likely to be tested in math than in literacy.

BASIC SKILLS TESTING — EMPLOYEES

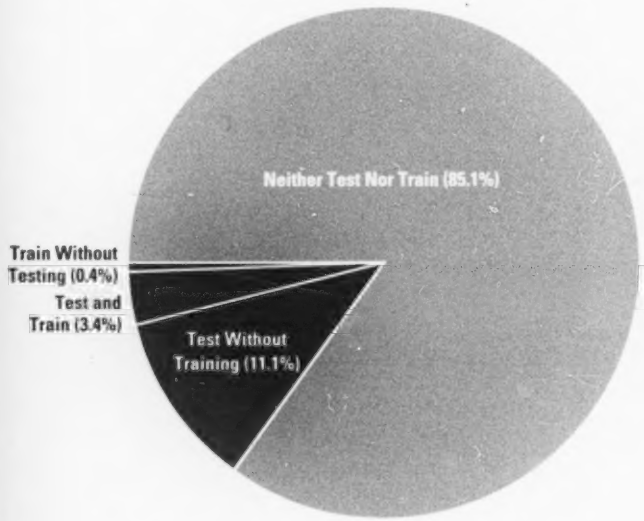


ACTION ON SKILLS-DEFICIENT EMPLOYEES
(AMONG COMPANIES THAT TEST EMPLOYEES)

Nearly half of the firms that test employees sponsor remedial training programs, but training is far more likely to be offered on a voluntary basis than mandated. There was an increase in the number of firms that reassign skills-deficient workers, to 12.4% from 8.2%.

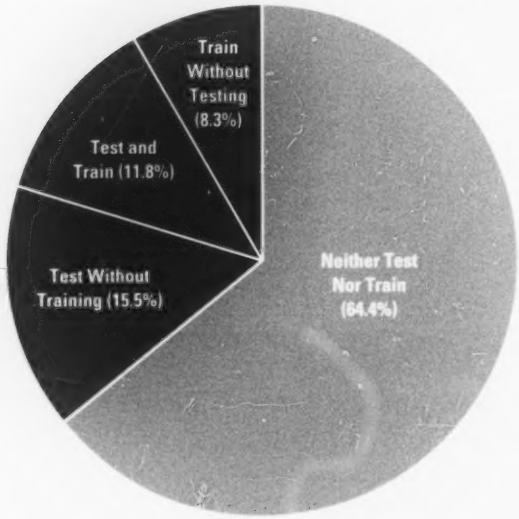


POLICY OPTIONS, EMPLOYEES (1989)



Since 1989 the share of firms that both test employees and sponsor remedial training programs has tripled, but even today fewer than half the companies that test employees offer such training.

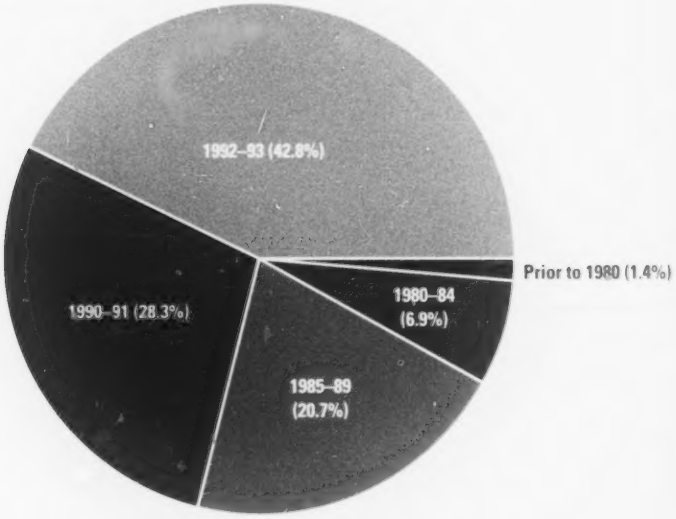
POLICY OPTIONS, EMPLOYEES (1994)



Larger companies lead in employee testing: 34% of firms grossing $500 million or more perform such testing, compared with 26% of smaller firms. Large companies also lead in sponsoring remedial training programs, but by a lesser margin (24% vs. 20%).

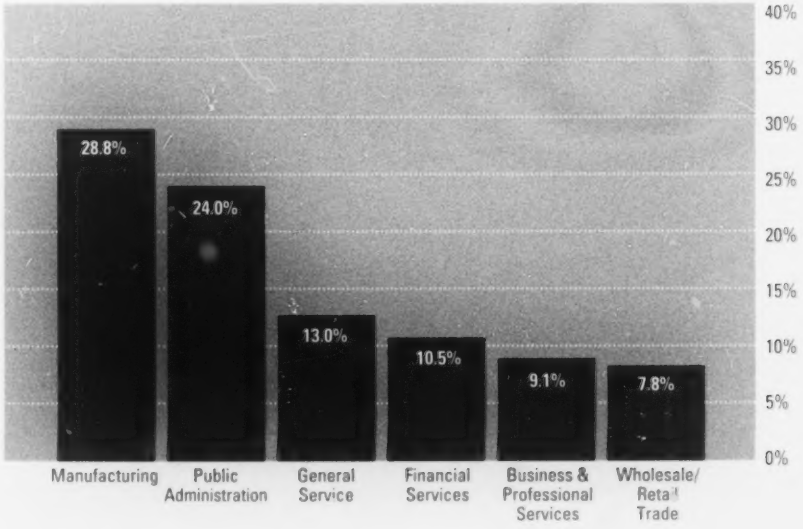
Corporate remedial training is a growth industry: 70% of reported programs are less than five years old. Overall, 20.2% of surveyed firms sponsor remedial training programs.

YEAR IN WHICH REMEDIAL TRAINING BEGAN

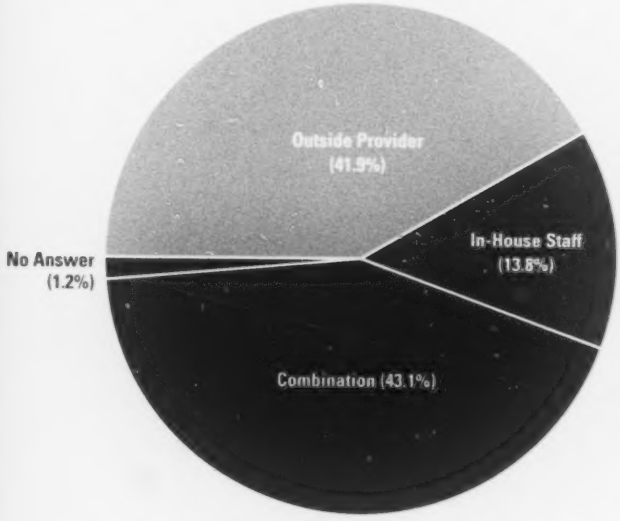


Patterns change dramatically from industry to industry. Manufacturers, which report high deficiency rates among job applicants (42%), also lead in offering remedial training; general service firms, with similarly high rates (41%), do comparatively little training.

REMEDIAL TRAINING PROGRAMS BY INDUSTRY

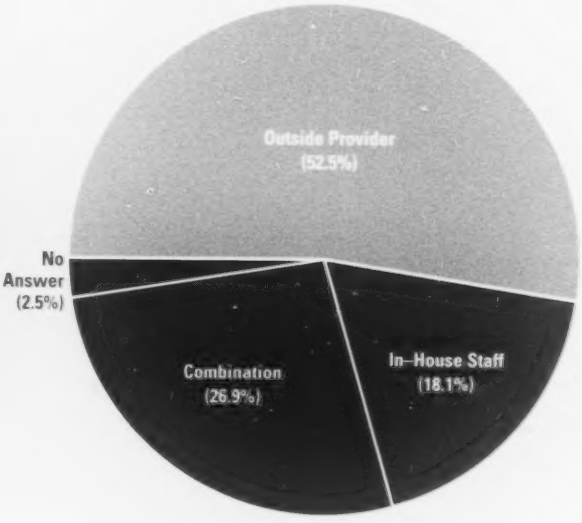


PROGRAM DESIGN



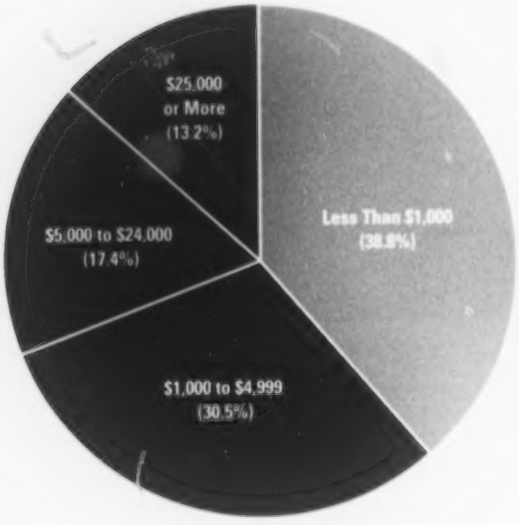
Experts in adult education advise that training works best when it relates directly to actual job requirements. They recommend that employers take a hand in customizing remedial training programs to fit the company and its workers.

PROGRAM DELIVERY



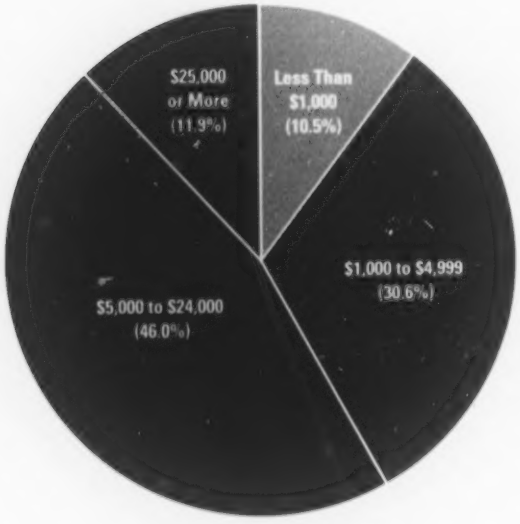
But the trend is running the other way. Half of the remedial training programs that have come on line since 1990 were designed entirely by outside providers, compared with just 29% of those begun prior to 1990. By a lesser margin, newer programs (57%) are more likely to be delivered by outside providers than older ones (50%).

1993 TESTING COSTS



Testing and training costs are, of course, a function of the number of people tested and trained. While the average cost of testing in 1993 was $13,066 among all respondents that test, 39% spent less than $5,000, and 39% spent less than $1,000.

1993 TRAINING COSTS



Training costs are not easily determined, due to different accounting procedures: some firms include trainer salaries and training space overhead, some do not. The average program cost in 1993 was $20,024. A better guideline is the cost per trainee, which averaged $244.

ABOUT THIS SURVEY

AMA's eighth annual survey questionnaire on workplace testing was mailed on January 6, 1994, to human resources managers in AMA-member companies. By March 1, we had received 794 usable questionnaires to form the database for the present study.

The current sample accurately represents AMA's corporate membership of 7,000 U.S. organizations, which in total employ a quarter of the American workforce. It is not a statistically accurate sampling of American corporations as a whole, 98 percent of which gross less than $10 million and/or employ fewer than 50 people.

While not identical to the database in previous years, this self-selecting sample is sufficiently similar to those of previous years to allow statistically valid year-to-year comparisons. Here are the sample profiles for both the 1993 and 1994 surveys; the 1994 sample contains a somewhat greater representation of firms grossing less than $50 million, which, together with the sample's 3.5% margin of error, may account for the slight declines reported in basic skills testing of both employees and job applicants.

Business Category	1993	1994
Manufacturing	49.2%	48.1%
General Services	18.7%	25.2%
Finance, Insurance, Real Estate	10.8%	7.2%
Business and Professional Services	9.4%	6.9%
Wholesale and Retail Trade	6.0%	6.4%
Transportation	3.3%	3.0%
Public Administration	1.6%	3.2%
Unclassified and Unclassifiable	1.0%	0.0%

Annual Sales*	1993	1994
Under $10 million	6.0%	8.1%
$10 to $49.9 million	20.2%	24.8%
$50 to $249 million	26.4%	24.8%
$250 to $500 million	9.8%	9.6%
More than $500 million	26.5%	19.1%
Not Reported	11.1%	8.3%

* or operating budget, if nonprofit

A2075-2.2.04

1994 AMA Survey on HIV- and AIDS-Related Policies

A Research Report published
exclusively for corporate members of the
American Management Association

AMA Research Reports

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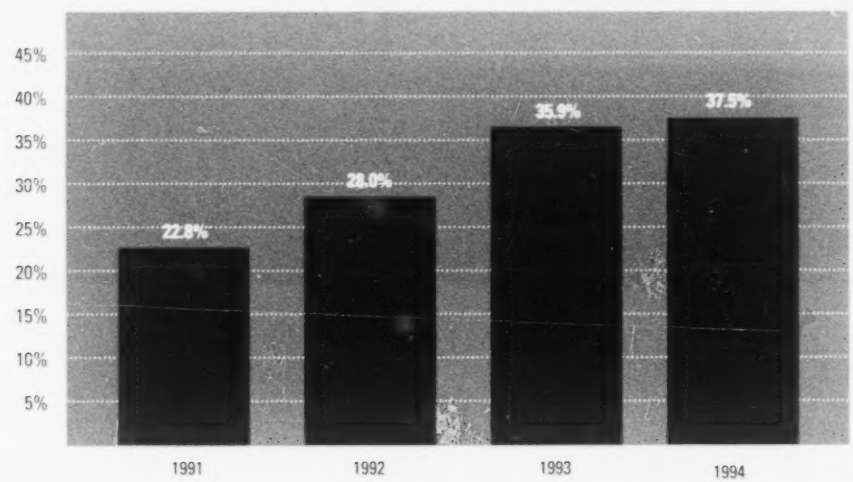
HIV- AND AIDS-RELATED POLICIES

By January 1994, more than a third of major U.S. corporations had dealt with at least one employment situation relating to actual or perceived cases of HIV infection or AIDS—a 65% increase over the 1991 finding of 22.8%. These figures represent cumulative experience up to January of the given year, rather than cases reported year-by-year.

REPORT CASES OF HIV INFECTION OR AIDS



HIV infection is not synonymous with AIDS. The Human Immunodeficiency Virus (HIV) is present in people who have been exposed to the Acquired Immuine Deficiency Syndrome (AIDS), but by no means do all HIV-positive people have the actual disease—although experience shows that they will develop it at some time in the future.

Three-quarters of the 794 respondent firms have reexamined their human resources and health care policies in light of the AIDS epidemic, but the data continues to indicate that experience is driving policy—that is, that companies are reacting to actual instances of HIV infection or AIDS, rather than developing policies before the first case strikes in the workplace.

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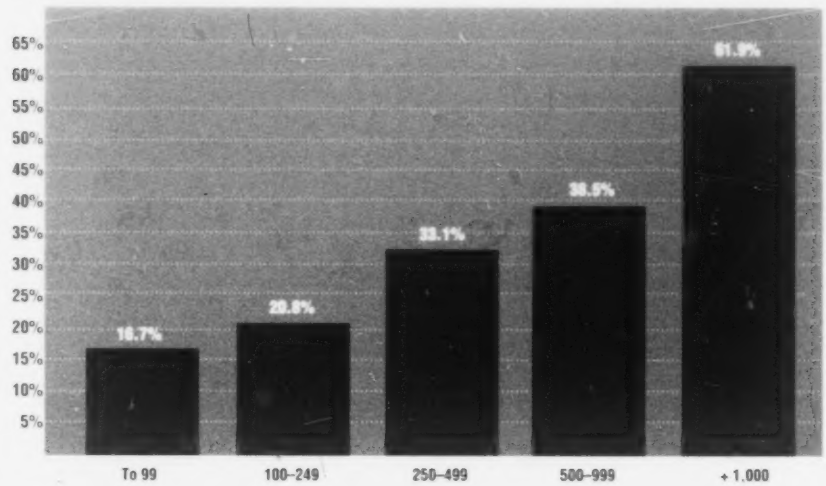
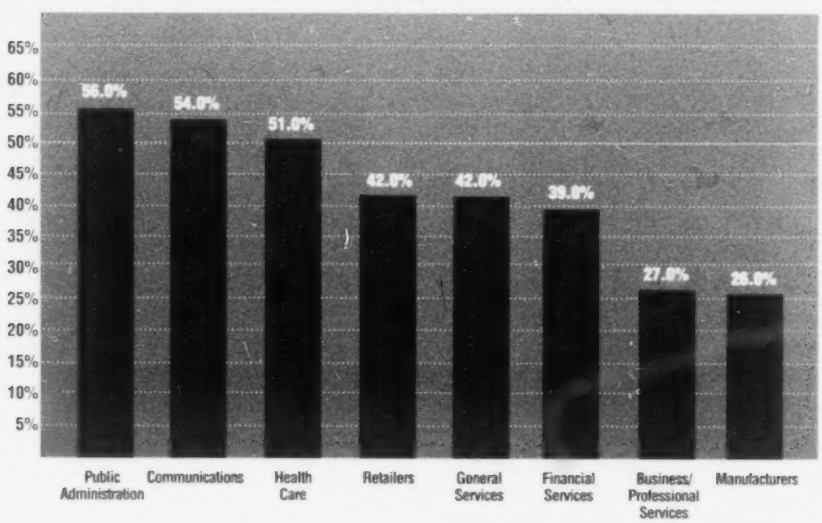
Naturally, the more people a company employs or considers for hire, the more likely it is to face an employment situation related to HIV infection or AIDS. Among the smallest firms surveyed, only one in six reports such experience; among the largest, it is common.

REPORT CASES OF HIV INFECTION OR AIDS – BY NUMBER OF EMPLOYEES



REPORT CASES OF HIV INFECTION OR AIDS – BY BUSINESS CATEGORY



Higher-than-average instances of HIV infection or AIDS were reported in the public sector (56%), and in such industries as communications (54%), health care (51%), and retailing (42%). In contrast, manufacturers and providers of business and professional services were below the national average.

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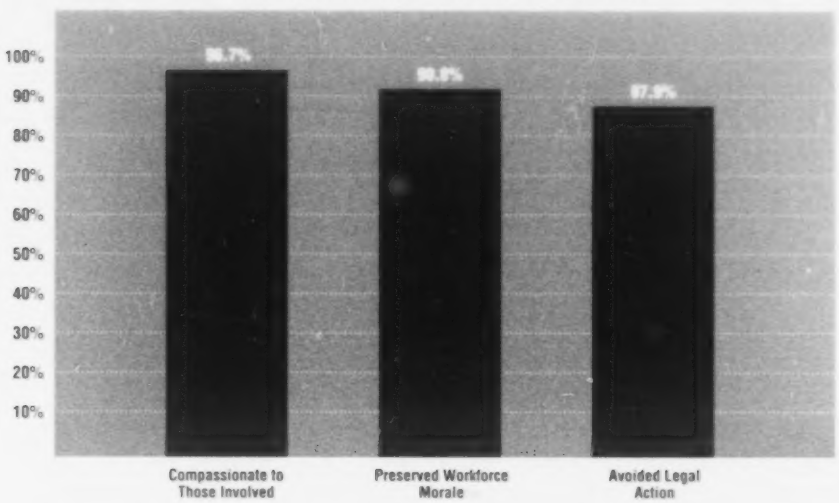
HIV INFECTION OR AIDS: OUTCOMES



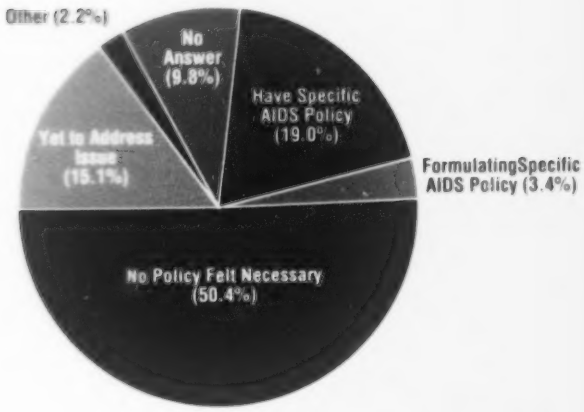
Dealing with HIV Infection or AIDS: Respondent firms consider themselves successful in addressing employment situations relating to HIV infection or AIDS insofar as they concern compassionate response, workforce morale, and protecting the company from potential legal action.

The 91% positive response to the question, "Did the organization deal with HIV or AIDS-related cases in a way that preserved the morale of the workforce?" is an increase from the previous year's finding of 84%.

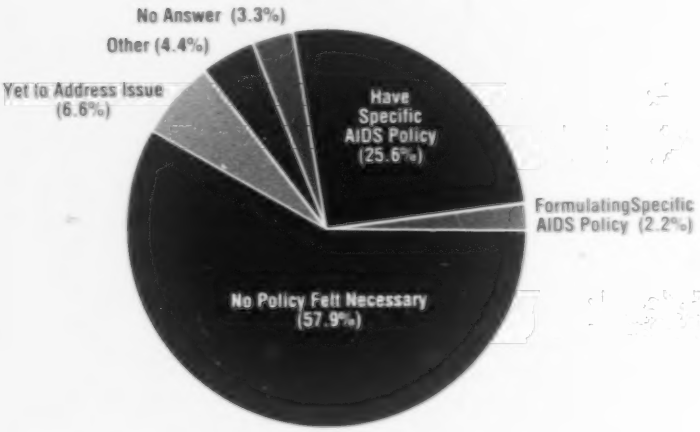
AIDS-Related Policies: Three-quarters of the companies surveyed have examined their personnel and health care policies with specific regard to HIV infection and AIDS. A majority have decided that no specific AIDS policy is necessary; they deal with AIDS-related cases as with any other catastrophic illness.

Still, companies that have actually dealt with HIV infection or AIDS are far more likely to have a specific AIDS policy in effect. Note also that 90% of companies reporting HIV or AIDS cases have reviewed their policies, compared with 72% of others.

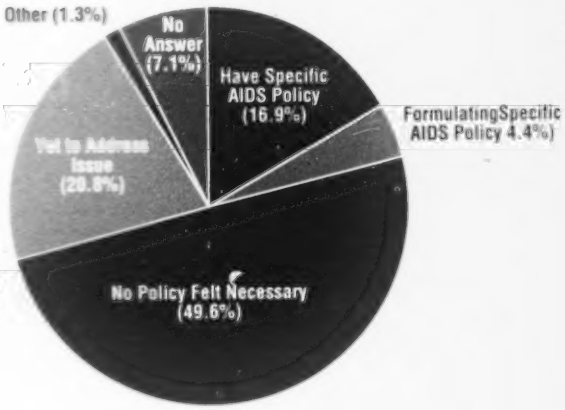
AIDS-RELATED POLICIES


Other (2.2%)
No Answer (9.8%)
Have Specific AIDS Policy (19.0%)
Yet to Address Issue (15.1%)
FormulatingSpecific AIDS Policy (3.4%)
No Policy Felt Necessary (50.4%)

COMPANIES THAT HAVE DEALT WITH HIV/AIDS


No Answer (3.3%)
Other (4.4%)
Yet to Address Issue (6.6%)
Have Specific AIDS Policy (25.6%)
FormulatingSpecific AIDS Policy (2.2%)
No Policy Felt Necessary (57.9%)

COMPANIES THAT HAVE NOT DEALT WITH HIV/AIDS


Other (1.3%)
No Answer (7.1%)
Have Specific AIDS Policy (16.9%)
FormulatingSpecific AIDS Policy 4.4%)
Yet to Address Issue (20.8%)
No Policy Felt Necessary (49.6%)

Laura Long, who studies workplace issues for the Gay Men's Health Crisis, points out that while health care policies may need no special revisions, work accommodations and interactions with colleagues may indeed require special attention.

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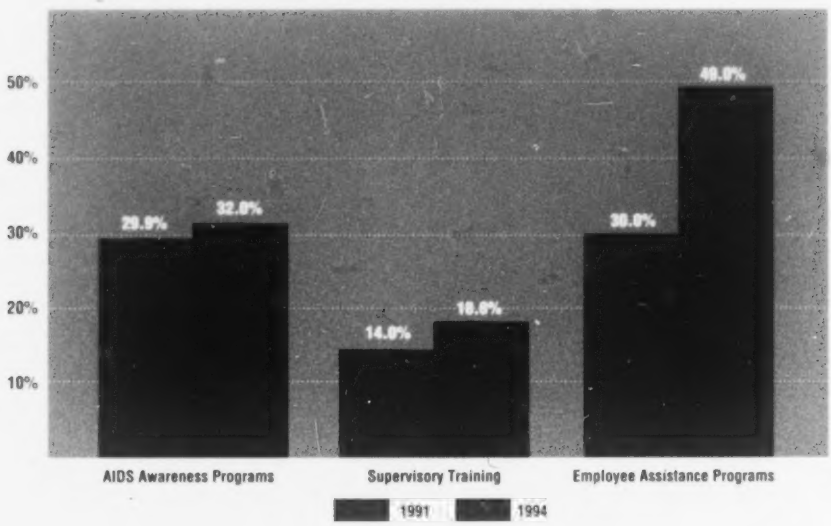
WORKPLACE INITIATIVES



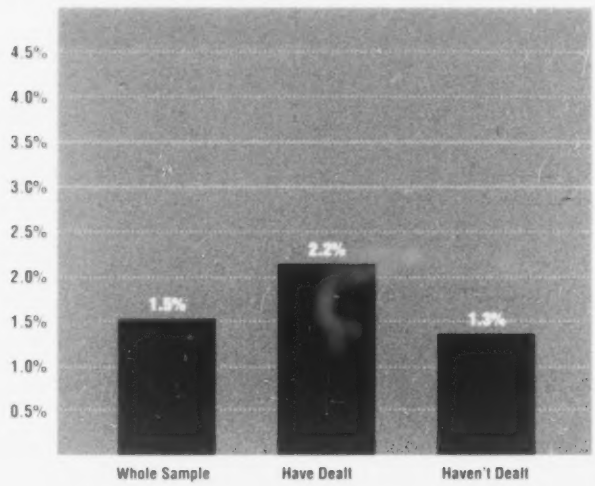
Programs: Although a significant number of respondent firms have undertaken initiatives that deal with AIDS as a workplace issue--awareness programs for employees, supervisory training, and employee assistance programs for people with AIDS and their families—there has been little increase since 1991 in the first two, and the growth in EAPS has not kept pace with the rise in incidences of HIV or AIDS in the workplace.

Companies that have dealt with HIV or AIDS cases are twice as likely to sponsor AIDS awareness programs (48%, compared with 25% of other firms), and three times more likely to provide supervisory training (34% vs. 11%). Two-thirds of respondent firms that have dealt with HIV or AIDS cases sponsor EAPS with AIDS counselling, compared with 43% of others.

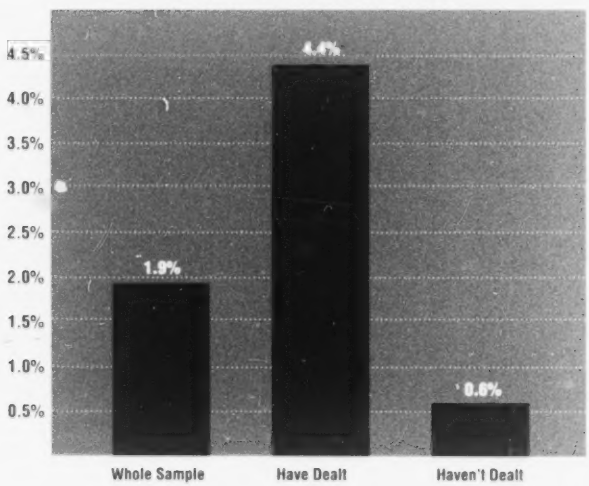
Testing for the HIV Virus: No test exists for AIDS *per se*. What is often called an "AIDS test" in fact tests for the presence of antibodies to the HIV virus.

Few companies perform compulsory HIV testing, and those with such a requirement often test only if the employee may have been exposed to the virus in the course of his or her duties (for example, health care workers and police officers).

HIV TESTING: EMPLOYEES



HIV TESTING: NEW HIRES



Although companies that have HIV or AIDS experience are far more likely to test both employees and new hires, the data finds no cause-and-effect relationship. Instead, corporate size is the determining factor: large companies are more likely to perform testing, and large companies are more likely to have dealt with HIV infection or AIDS (see page 2).

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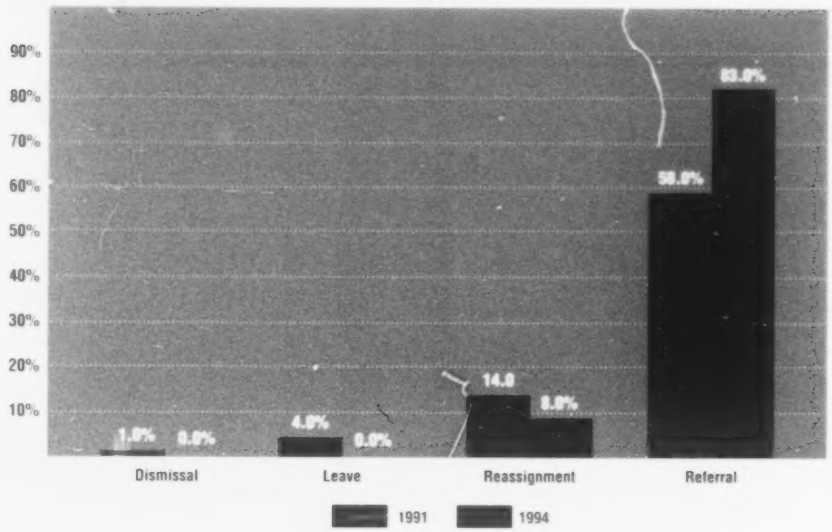
Legal protections offered to HIV-positive employees ensure that no surveyed company now dismisses an HIV-positive worker. The share that reassigns such employees is also down from 1991, while the number of firms that refer HIV-positive workers for counselling and treatment has increased dramatically.

ACTION ON TEST–POSITIVE EMPLOYEES



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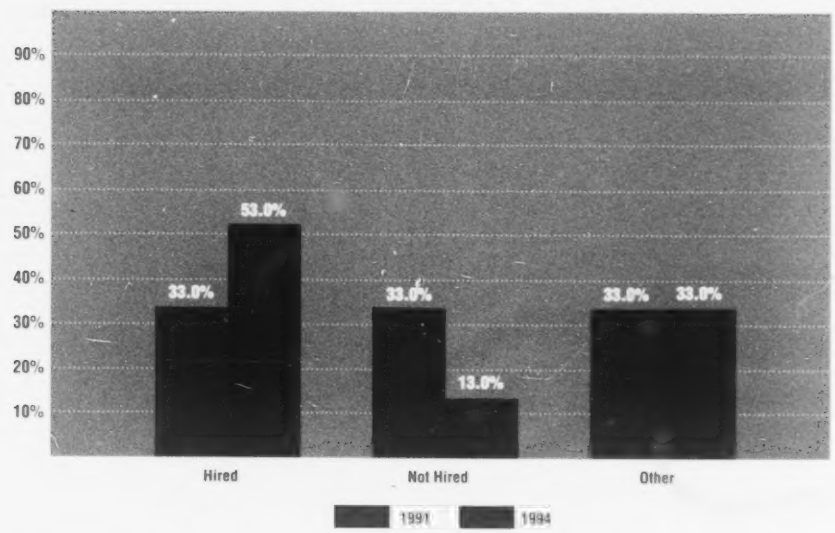

Likewise, far fewer companies refuse to hire HIV-positive job applicants. "Other" actions include assigning such new hires to positions other than those for which they originally aimed.

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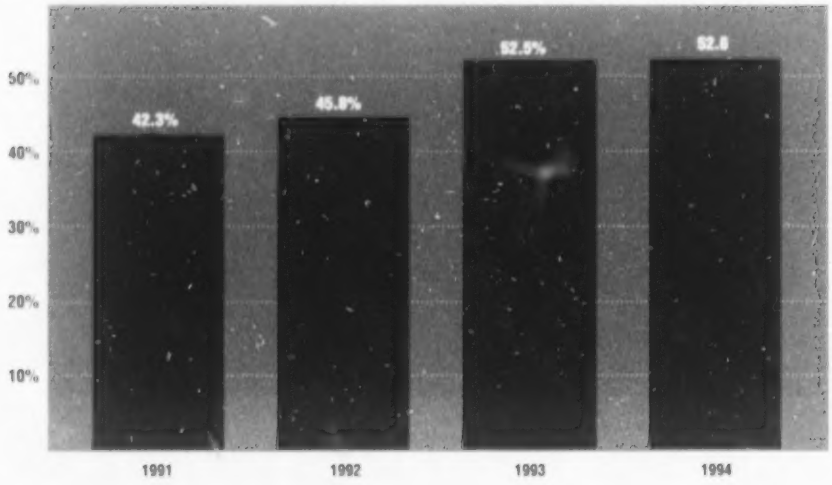
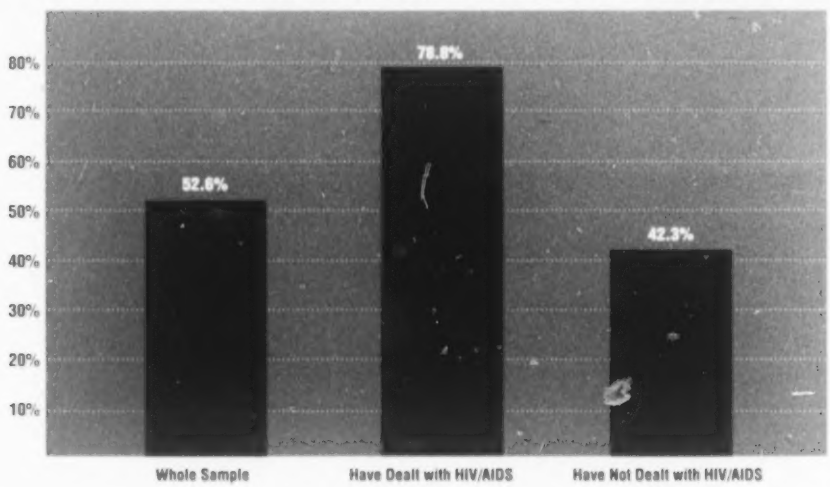
Preparation for the Future: The share of firms that say they are prepared (with policy provisions, educational materials, and other resources) to deal with future cases of HIV infection or AIDS has plateaued at just over 50%.

PREPARED TO DEAL WITH FUTURE CASES



PREPARED TO DEAL WITH FUTURE CASES—BY PAST EXPERIENCE



Companies with experience in dealing with the HIV infection or AIDS are nearly twice as likely as others to declare themselves prepared for future cases.

The data indicates that companies are more active in AIDS *identification* and *treatment* than in AIDS *prevention*. Compassionate response is laudable, but the workplace—like the wider society—can profit from proactive policies such as education and awareness programs.

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